

# **CULTURAL VALUES, ORGANIZATION AND WORK PERFORMANCE OF INDUSTRIAL WORKERS IN INDONESIA**

**(A Study of Industrial Relations in Two Textile Enterprises in  
Yogyakarta )**

Dissertation  
zur Erlangung des Grades eines  
Doktors der Sozialwissenschaften  
an der Fakultät für Soziologie  
der Universität Bielefeld

vorgelegt von

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Bielefeld, im Mai 1994

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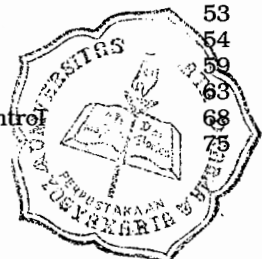
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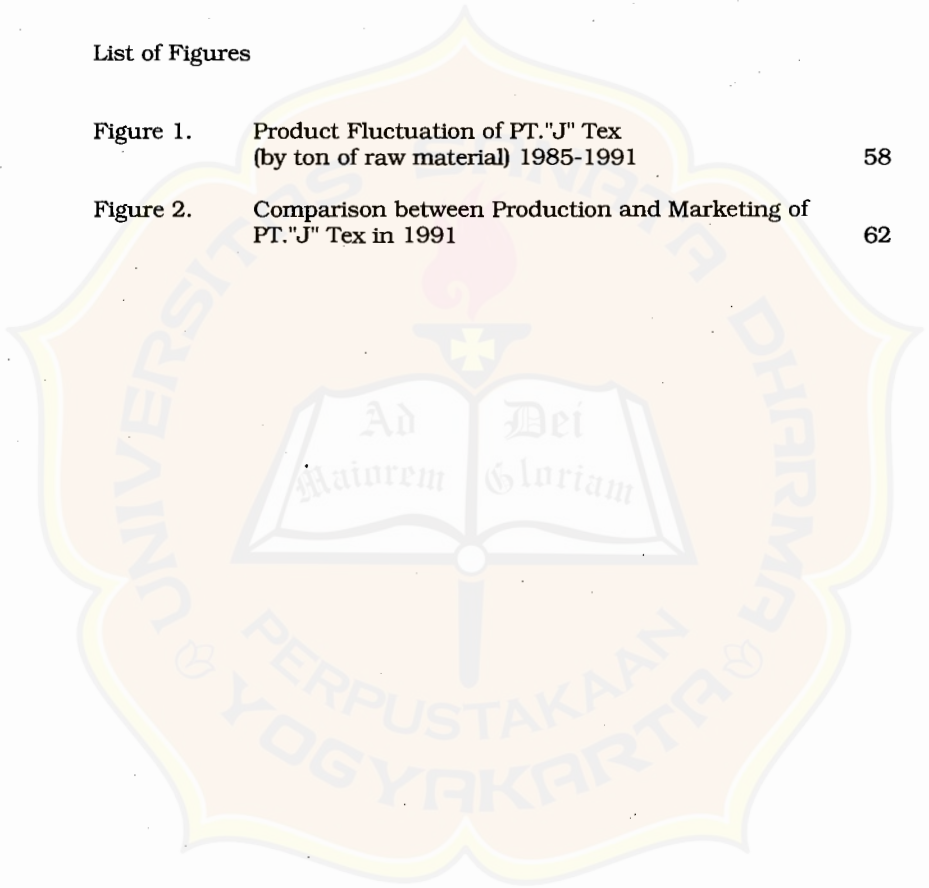
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### **Acknowledgement**

It is no exaggeration to say that this dissertation has been accomplished through the support of many others. Two sponsors, the World Bank and the German Research Association (DFG), provided financial assistance during my stay in Germany. Without this support, I would not have been able to finish my work in the present form.

Special attention has to be given to Prof.Dr. Hans-Dieter Evers to whom I owe a great deal during my studies at the graduate school of the Sociology of Development Research Centre at the University of Bielefeld. It would have been difficult for me to leave my position as lecturer at the Department of Social and Political Science, University of Gadjah Mada, without the kind recommendation from Dr. Ichlasul Amal who functions as dean of this department. Dr. Nasikun assisted me in acquiring research funds from the World Bank.

During my stay in Bielefeld, I received many useful comments and suggestions from Dr. Eckhard J. Dittrich, Prof.Dr. Ulrich Mai, Prof.Dr. Gert Schmit, Dr. Helmut Buchholt, Dr. Christian G. Kiem, Drs. Ignas Kleden MA, Drs. Rochman Achwan MA, and others who took part in the discussions of the Southeast Asia Programme. Christel Hülsewede and Christa Jäger assisted me with various administrative problems that emerged during my stay in Bielefeld.

During fieldwork, I had important discussions with Dr. Tadjudin Noer Effendi and Dr. Helmut Weber from the Population Studies Center at Gadjah Mada University, Yogyakarta. The latter, at this time, held the post of a guest lecture at Gadjah Mada. Field research depended to a large extent on the help of my field assistants, in particular, Drs. Hasto Wiyono MA, Dra. Indah Tyas Susetiawan, Drs. Oelin Sumarwoto, Drs. Kurniantoro, and Drs. Aswin. Without the support of the directors of two textile companies in Yogyakarta, who granted me access to their factories, my research enterprise would not have been successful. My special thanks go to them.

I am most indebted to my wife Indah Tyas Susetiawan, who encouraged me to study in Germany, although she herself and our three children had to stay behind in Indonesia.

Bielefeld, May 1994

Susetiawan



## SUMMARIUM DER DISSERTATION

**Cultural Values, Organization and Work Performance of Industrial Workers in Indonesia**

(A Study of Industrial Relations in Two Textile Enterprises in Yogyakarta)

vorgelegt von  
Susetiwawan**Problemstellung**

Veränderungen im Produktionssystem führen zur Entstehung neuer sozialer Beziehungen im Produktionsprozeß. Umgekehrt gilt auch, daß sich das System der Produktion verändert, sofern sich neue soziale Beziehungen im Produktionsprozeß entwickeln. Das Konzept der sozialen Produktionsbeziehungen hat in der wissenschaftlichen Diskussion zunehmend an Bedeutung gewonnen und ist nicht länger nur auf das Verhältnis zwischen Arbeitgebern und Arbeitnehmern beschränkt, sondern bezieht auch staatliche Interventionen mit in die Betrachtung ein. Im folgenden bürgerte sich als Bezeichnung für die sozialen Beziehungen der Produktion der Begriff "industrielle Beziehungen" (*industrial relations*) ein.

Während sich die (nordwest) europäischen Länder bereits an der Schwelle zu postindustriellen Gesellschaften befinden, ist die Mehrheit der Volkswirtschaften Asiens erst vor kurzem in ein Stadium beschleunigter Industrialisierung eingetreten. Heute weist ein Teil der asiatischen Länder beträchtliche Wachstumsraten auf, insbesondere die sogenannten "newly industrializing countries (NICs)" in Ost- und Südostasien. Den Verlauf des Industrialisierungsprozesses in den asiatischen NICs unterscheidet sich von jenem in den meisten westlichen Ländern. Der staatliche Einfluß auf den Industrialisierungsprozeß ist in Asien generell sehr groß, auch was die Einwirkung ausländischer Investitionen anbetrifft. Der beschleunigte Entwicklungsprozeß in Teilen Asiens kann nicht nur aus wirtschaftlicher Perspektive betrachtet werden, sondern muß auch lokale soziokultureller Faktoren in den einzelnen Ländern mit in die Analyse einbeziehen. Dies gilt auch für Indonesien, wo traditionelle kulturelle Werte aufrechterhalten und als wichtiger Beitrag zur industriellen Entwicklung des Landes verstanden werden. Elemente traditioneller Kultur werden nicht nur beibehalten, sondern ganz bewußt als Ideologie in industriellen Beziehungen eingesetzt. In diesem Zusammenhang erscheint es interessant, die konkrete Rolle von traditionellen kulturellen Werten in den industriellen Beziehungen und die Bedeutung, die diese Werte für die verschiedenen Akteure in industriellen Organisationen haben, zu untersuchen. Hier stellt sich auch die Frage, welche Auswirkungen der besondere Typus industrieller Beziehungen im zeitgenössischen Indonesien auf das (Arbeits-)Verhalten der entstehenden industriellen Arbeiterschaft hat.

**Theoretischer Bezugsrahmen und Forschungsmethodik**

Ein wichtiger Aspekt des Studiums industrieller Beziehungen ist die Beschäftigung mit Formen industrieller Organisation. Letztere bestehen, soziologisch gesehen, aus Netzwerken institutionalisierter sozialer Beziehungen. Die Beschäftigung mit sozialen Beziehungen kann nicht losgelöst werden von der Untersuchung sozialen Handelns. Die

von Max Weber entwickelten Typen sozialen Handelns, insbesondere die Unterscheidung zwischen wert- und zweckrationalem Handeln, werden in der vorliegenden Studie als Erklärungsinstrumente verwandt. Weber unterscheidet zwischen vier Typen der Rationalität: Wertrationalität, theoretischer, formaler und praktischer Rationalität. Das Verhältnis zwischen Wertrationalität und formaler Rationalität dient mir als Grundlage zur Erklärung der Rolle traditioneller kultureller Werte in industriellen Organisationen.

Kulturelle Werte werden von Individuen im Rahmen des Sozialisationsprozesses internalisiert. Kulturelle Werte sind demnach Resultat sozialer Konstruktion (und Rekonstruktion). Das abweichende Verständnis kultureller Werte durch verschiedene Akteure innerhalb industrieller Organisationen in Indonesien ist zentraler Bestandteil der vorliegenden Dissertation. Wichtige indonesische (javanische) Werte wie Harmonie, gegenseitige Hilfe und Solidarität werden von Unternehmern und Arbeitern aufgrund ihrer divergierenden Interessenlage stark abweichend interpretiert.

Als empirische Grundlage für die vorliegende Arbeit dienten Fallstudien in zwei Textilunternehmen in Yogyakarta, Zentral-Java. Außer teilnehmender Beobachtung in den Produktionsstätten und den Heimatorten ausgewählter Fabrikarbeiter wurden Interviews und Gespräche mit Mitarbeitern auf allen Ebenen der beiden Unternehmen geführt. Vervollständigt wurde dieses Material durch eine standardisierte Umfrage unter 175 Arbeitern, die sich ebenfalls aus beiden Firmen rekrutierten.

### **Forschungsergebnisse**

Die Entwicklung industrieller Beziehungen in Indonesien seit der niederländischen Kolonialzeit bis heute ist gekennzeichnet durch die Institutionalisierung traditioneller kulturelle Werte in Übereinstimmung mit den Bedürfnissen der Herrschenden. Die holländischen Kolonialisten hatten kein Interesse daran, die traditionelle Werteordnung der feudal-aristokratischen javanischen Elite zu zerstören, sondern - im Gegenteil - machten sich diese für die koloniale Ausbeutung der javanischen Bauernschaft zu Nutze. Gehorsam und Loyalität der Landbevölkerung gegenüber der einheimischen Oberschicht manifestierten sich u.a. in der Ausführung unbezahlter Arbeitsdienste für die javanischen Fürstenhäuser. Protest gegen diese Form der Zwangsarbeit blieb die Ausnahme.

Zur Zeit der post-kolonialen "Alten Ordnung" Sukarnos in den 50er und frühen 60er Jahren konkurrierten zwei verschiedene Ideologien industrieller Beziehungen um die Vorherrschaft. Auf der Seite des entstehenden Unternehmertums und des Militärs (als stets bedeutende politische Kraft in Indonesien) bestand das Bestreben, die Beziehungen zwischen Unternehmern und Arbeiterschaft nach dem Prinzip sozialer Harmonie auszurichten. Diesem Zweck diente die Einführung des neutralen Begriffs des "Arbeitnehmers". (*karyawan*). Die Gegenposition wurde vornehmlich von der kommunistischen Partei vertreten, die von der Arbeiterschaft als "Klasse" sprach und industrielle Beziehungen als "Klassenkampf" verstanden wissen wollte. Hier benutzte man den Begriff "Arbeiter" (*buruh*) im Sinne von "Proletariat". Seit dem Beginn der "Neuen Ordnung" unter Suharto im Jahre 1965 wurde das Prinzip Harmonie zur offiziellen und einzig zulässigen ideologischen Grundlage industrieller Beziehungen in Indonesien.

Von Unternehmerseite wird "Harmonie" heute als ein Zustand der Konfliktlosigkeit in industriellen Beziehungen verstanden. Dieses Verständnis dient als Rechtfertigung der verschiedenen gegenüber der Arbeiterschaft eingesetzten

Kontrollmechanismen. Das Kontrollsystem innerhalb des Unternehmens ist stark persönlich geprägt. Es orientiert sich weniger an formalen Hierarchien als an persönlichen Beziehungen und (oft verwandtschaftlich bedingten) Vertrauens- und Abhängigkeitsverhältnissen. Strukturen dieser Art entsprechend weitgehend jenen in traditionellen Familienunternehmen. Die Bereitschaft zum Protest innerhalb der Arbeiterschaft wird unterdrückt durch gezielte persönliche Einschüchterung, z.B. durch die Androhung der Kündigung.

Die Rekrutierung von Arbeitskräften in den beiden untersuchten Unternehmen erfolgt größtenteils über verwandtschaftliche Beziehungen zu bereits beschäftigten Arbeitern. Das Prinzip gegenseitiger Hilfeleistung wird in diesem Zusammenhang von Unternehmern und Arbeitern unterschiedlich interpretiert. Für die Unternehmerseite stellt die Rekrutierung neuer Arbeitskräfte über familiäre Beziehungen eine Möglichkeit dar, durch gezielte Selektion das Konfliktpotential innerhalb der Arbeiterschaft zu verringern. Beschäftigte, die ihre Angehörigen zur Einstellung empfehlen, übernehmen gleichzeitig einen Teil der Verantwortung für das zukünftige Verhalten dieser Personen. Für die Fabrikarbeiter selbst repräsentiert das Prinzip gegenseitiger Hilfe eine moralische Verantwortung zur wechselseitigen Unterstützung und Solidarität in besonderen Notlagen.

Die oben beschriebene Art der Rekrutierung neuer Arbeitskräfte steht im Zusammenhang mit anderen Aspekten industrieller Beziehungen wie der Höhe des gezahlten Lohns, den Arbeitsbedingungen und den bereitgestellten Sozialleistungen. Die Arbeitsbedingungen und Sozialleistungen in den beiden untersuchten Firmen entsprechen oft nicht den geltenden gesetzlichen Bestimmungen. Bestehende Organisationen der Arbeiterschaft sind kaum dazu in der Lage, die Interessen ihrer Klientel zu vertreten. Obwohl staatliche Instanzen über die häufigen Rechtsbrüche durch Unternehmen durchaus informiert sind, finden sich kaum Bemühungen, diese zu unterbinden. Demgegenüber werden Protestaktionen von Arbeitern, die sich nicht selten an diesen Regelbrüchen entzünden, von staatlicher Seite mit allen Mitteln (inklusive der Einschaltung des Militärs) unterdrückt.

Nicht nur zwischen Arbeitern und Unternehmern, sondern auch zwischen verschiedenen Gruppen und Individuen innerhalb der Arbeiterschaft finden sich divergierende Interpretationen des Harmonieprinzips. Drei Typen lassen sich in diesem Kontext unterscheiden. Eine erste Gruppe von Arbeitern versteht Harmonie als Zustand des "Friedens" und der Konfliktlosigkeit. Personen dieser Kategorie vermeiden Konflikte, sowohl mit Vorgesetzten als auch mit Arbeitskollegen. Konsequenz ist eine Einstellung gekennzeichnet durch Loyalität und Gehorsam, mit Neigung zum Fatalismus. Die zweite Gruppe von Arbeitern versteht Harmonie in einer individualistisch-opportunistischen Weise. Sie arbeiten eng mit der jeweiligen Unternehmensführung zusammen, mit der primären Absicht, dadurch persönliche Vergünstigungen zu erreichen. Personen mit dieser Orientierung werden oft von der Unternehmensleitung als Informanten und zur Kontrolle der Belegschaft instrumentalisiert. Die dritte Kategorie von Arbeitern schließlich betrachtet einen Zustand der Harmonie als gleichbedeutend mit der Einhaltung gesetzlicher Normen. Bedingt durch dieses Verständnis von Harmonie kommt es häufig zu Konflikten zwischen Arbeitern und der Unternehmensführung aufgrund der Nichtbeachtung von gesetzlichen Bestimmungen durch letztere.

Die Qualität der entstehenden Konflikte variiert. Ein Teil der Konflikte wird nicht offen ausgedrückt und bleibt latent. Sobald von den Konflikten jedoch Arbeiter

betroffen sind, die nicht vor direktem Protest gegen die Unternehmensführung zurückschrecken, werden diese manifest. Insbesondere latente Konflikte zeigen Auswirkungen auf das Arbeitsverhalten der betroffenen Personen und führen zu Phänomenen wie Abwesenheit vom Arbeitsplatz, Unpünktlichkeit und abnehmender Präzision der Arbeitsleistung. Unzufriedenheit in der Arbeiterschaft ergibt sich primär aus der Nichtbeachtung gesetzlicher Arbeitsbestimmungen durch die Unternehmensführung und deren Bestreben, sich entwickelnden Protest durch Repression im Ansatz zu ersticken. Die einseitige Interpretation von Harmonie durch die Unternehmensleitung wirkt in der Realität konfliktverschärfend, während konflikthafte Verhalten in der Arbeiterschaft tatsächlich die Wiederherstellung eines Zustandes sozialer Harmonie in den industriellen Beziehungen intendiert.





## INTRODUCTION : A CONCEPTUAL FRAMEWORK OF INDUSTRIAL RELATIONS

### **The Historical Experience of Three Major European Countries**

In the three major European countries, i.e. Britain, France, and Germany, the early days of the Industrial Revolution were characterized by different developments. Britain, at that time, was the first country that achieved some degree of democratic government, so that the political revolution which had taken place in France was absent.

The process of social and economic change which had characterized British society during the seventeenth century was relatively progressive in character<sup>1</sup>.

Round these and other issues, great political struggles raged in the early seventeenth century, culminating in the Revolution, which began in 1640 and in a few years had replaced the old political structure by a new one from which most of the former restrictions were gone. Political power now passed mainly into the hands of the new class of capitalists or bourgeoisie (for which reason this is referred to as the bourgeois revolution) in alliance with the more progressive sections of the aristocracy<sup>2</sup>.

Economic development in the late eighteenth century in Britain far outstripped that of other countries.

During the 18th century, a number of technological innovations encouraged a metamorphosis in the organization of cotton manufacture, whereby these innovations effected the spread of machineries and factory production. It was mainly cotton manufacturing which, during that period, turned Britain into the leading nation of industrial development. However, Britain could not be adequately described as an industrial society before the middle of

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<sup>1</sup>. Anthony Giddens, *Capitalism and Modern Social Theory*, An analysis of writings of Marx, Durkheim and Max Weber, Cambridge: At the University Press, 1971, pp. XI-XIII.

<sup>2</sup>. S. Lilley, *Men Machines and History*, Lawrence and Wishart, London, 1965, p. 88.

the nineteenth century.

Although the economic development of Britain was more progressive than the one in both France and Germany, the latter two countries were commonly not referred to as "underdeveloped". In some respects, for example, standards of cultural achievement, especially in literature, art, and philosophy, these countries could claim to outstrip comparable attainments in Britain. Less than a century later, both France and Germany succeeded in recapturing to a substantial degree the lead in industrial development which had been previously achieved by Britain <sup>3</sup>.

In contrast to the evolutionary character of social development in Britain, the French Revolution of 1789 represented an attempt of the French bourgeoisie to overthrow the aristocratic order of the ancient regime and to constitute a new society based on the principles of justice and freedom. This Revolution institutionalized political change and signalled a complete reorganization of society. Although secular rationalism as a guiding principle of human behaviour had developed since the sixteenth century, the according political changes did not appear before the eighteenth century.

In the early nineteenth century, the political situation in France changed again. The strong position in government which had previously been achieved by the liberal bourgeoisie declined as a result of the coming to power by autocratic and later monarchist forces under the leadership of Napoleon Bonaparte.

The prefect, appointed by the central government, was the most important agent in the authoritarian, bureaucratic system first established by Napoleon and maintained under both the July Monarchy and the Second Empire, for the governance of the province <sup>4</sup>.

In this period, the strong state controlled all political and economic activities of society. This can be seen in the history of St. Etienne. The city's monopoly of military arms manufacturing, which had been abolished during the Revolution, was restored by Napoleon Bonaparte. A private manufacturer who employed a large number of artisans was

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<sup>3</sup>. Giddens, *ibid*.

<sup>4</sup>. David M. Gordon, *Merchants and Capitalists, Industrialization and Provincial Politics in Mid-Nineteenth Century France*, The University of Alabama Press, 1984, p. 21



controlled by government inspectors <sup>5</sup>. During the time of the Second Empire, the state bureaucracy prevented united action of the bourgeoisie by coopting it into the regime <sup>6</sup>.

The Republican spirit in France was revived during the ensuing revolutions of 1830, 1848, and 1871, although the greater part of their achievements such as price control, participation in local government, and the liberalization of African slaves was destroyed by later governments. Liberty and democracy continued to have their ups and down in French society. The constitutional changes resulting from the French Revolution of 1789 strongly influenced the different Monarchist, Imperial, and Republican governments which followed in the nineteenth century <sup>7</sup>.

The situation experienced by Germany was somewhat different from both France and Britain. This country took part in the restorations of modern Europe without ever sharing in its revolutions. In the first part of the nineteenth century, Germany was composed of a loose aggregate of sovereign states. This situation did not change until Prussia was able to secure the political unification of Germany under Bismarck <sup>8</sup>. Industrialization, however, had begun before political unification but it gained its great momentum only after 1871. During the period of industrialization, there was development in all sectors of the economy. This situation encouraged large-scale urban migration. In towns and cities social radicalism started to develop which was increasingly perceived as a threat by the representatives of the old aristocratic order. As a result, social and economic policies of the empire became more responsive to ongoing changes<sup>9</sup>.

It seems that modern economic policy in the Prussian Monarchy was first implemented under the rule of Frederick the Great.

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<sup>5</sup>. *ibid* p. 19

<sup>6</sup>. *ibid* p. 22

<sup>7</sup>. George Rudé, *Revolutionary Europe 1783-1815*, Harper & Row, New York, 1964, pp. 119-120.

<sup>8</sup>. Anthony Giddens, *ibid*.

<sup>9</sup>. Kenneth D. Barkin, *The Controversy Over German Industrialization 1890-1902*, The University of Chicago Press, Chicago and London, 1970. p.2

In connection with his Government, he (Frederick the Great, S) established a department for commerce and manufactures, and the royal instructions issued to this office were most numerous and various. Native industries and native trade were protected and stimulated, not only by the imposition of import duties, but by premiums on exports and by the direct subsidising of struggling manufactures. The King himself established industrial undertakings, not for purposes of revenue, but for his country's enrichment. At one time (June, 1783) he devoted 260,000 thalers from his purse to the reform of the Prussian mining and smelting system. Industries were also encouraged by the granting of commercial privileges, by the import by the State of raw materials, which were re-sold at low prices, and by premiums upon technical improvements. The guilds were, moreover, made powerless to hinder industrial progress, roads and canals were built, a State post was introduced, and in many other ways the commercial instincts of the nation were stimulated <sup>10</sup>.

Historically, Germany has never experienced a successful bourgeois revolution. A powerful autocratic order which operated through the control of state bureaucracy and the armed forces kept the emerging bourgeoisie in a subordinate position <sup>11</sup>.

By comparing the different experiences of major European countries during the Industrial Revolution, I intended to capture the interrelationships between social, economic, and political changes in the era of early industrialization. The different historical background of Britain, France, and Germany accounts for diverging paths of industrial development in these countries. Extreme social polarisation led to revolutionary political change in France, while democratic government emerged in Britain from a coalition between the capitalist and aristocratic classes. In Germany, an agrarian society was transformed into an industrial one "from the top" by a monarchist regime. The historical relationship between different forms of government, i.e. aristocratic-monarchist or bourgeois-capitalist, and the industrial working population is still relevant for an analysis of current phenomena of industrial relations.

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<sup>10</sup>. William Harbutt Dawson, *Bismarck and State Socialism*, An exposition of the social and economic legislation of Germany since 1870, Howard Fertig, New York, 1973, p. 16

<sup>11</sup>. Anthony Giddens, *op cit* p. XIV

With the processes of Enlightenment and Industrialization the West developed a human civilization with unique features not present in any other part of the world. It is certainly not the case that Europe had always been the center of technological progress, but with the onset of the Industrial Revolution and the development of machine technology Europe set itself apart from the level of technological innovation elsewhere.

Western Europe (between 500 and 1450 A.D., i.e. the Middle Ages, S) was not the most advanced part of the world - far from it. Byzantium preserved more of the refinements of ancient civilisation, which were only re-absorbed by the West in the later Middle Ages. Islam, from its rise to power in the seventh and eighth centuries, was for several hundred years in advance of the West. And almost to the end of this period the most progressive country, technologically, was China. Yet all these regions eventually declined, and it was medieval Europe, collecting ideas and inventions from all the others, adding some of its own, developing them all and welding them together into an entirely new machine-based civilisation, which ushered in the modern world <sup>12</sup>.

The consequences of technological change which developed into machine technology encouraged the emergence of factory production. At the same time, complex changes took place in other spheres of social, economic, political, and cultural life of Europe.

In the course of industrialization, a large number of manufacturing industries developed and turned industry into the leading sector of the economy while the share of agriculture in economic production declined. Employment shifted from the agricultural to the manufacturing sector. Despite rapid economic development, material prosperity could not be achieved by all people.

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<sup>12</sup>. S. Lilley, *op cit*, pp 45-63. In the late twelfth century windmill technology appeared in Europe. This technology had emerged in Islam since the seventh century, although windmills there were quite different types from the ones that appeared in Europe. The windmill was not as easily adoptable as the water-wheel to purposes other than corn-milling, but from about 1400 onwards its application to water lifting became the key to the drainage of Netherlands, and it was from time to time applied to drive many sorts of machinery. Medieval Europe also received an important new kind of loom from China. The draw-loom which allowed the weaving of complex pattern through an arrangement for selecting the set of warp threads to be raised or lowered at each passage of the shuttle. This type of loom was used in China by the second century B.C., reached the Near East by the third century A.D., and during the Middle Ages spread to Europe.

The situation of factory workers was characterized by bad working conditions (long working hours, low wages, etc.). After the mid-nineteenth century, the labour movement started to play an increasingly important role in the political systems of Western European countries.

### **Early Social Thinkers and their Views of Industrial Relations**

With the ongoing process of industrialization, social thinkers assumed different viewpoints with regard to the development of industrial relations. In this introduction, I will present the work of some of the early sociologists authors such as Karl Marx, Emile Durkheim, and Max Weber whose thoughts became part of the sociological mainstream. Those who are not mentioned in this context are neither ignored nor assumed to be less important in the development of sociological thought, but limitations of space and the outstanding impact of the above-mentioned three authors justifies this selection. In Giddens' words :

Marx's works, obviously, are the primary source of the various forms of contemporary neo-Marxism; Durkheim's writings may be identified as the dominant inspiration lying behind "structural functionalism"; and at least some of the modern variants of phenomenology derive, directly or indirectly, from the writings of Max Weber. Moreover, within more specific fields of sociology, such as in the study of social stratification, religion, and so on, the influence of Marx, Durkheim and Max Weber has been fundamental <sup>13</sup>.

In the present context, I will restrict myself to those arguments of Marx, Durkheim, and Weber that are related to industrial phenomena.

Marx's work represents one of the most important contributions to the sociological study of industry. Although he never explicitly mentions the term "industrial relations", some of the later uses of this concept are rooted in his writings. Marx denied assumptions of economists who argued that the conditions of production characteristic of capitalism could be attributed to all types of economy. The premises

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<sup>13</sup>. Anthony Giddens, *op cit*, p. VIII



of economic exchange, private property, and the pursuit of profit are seen by economists as the natural characteristic of man. Marx, in contrast, contended that the formation of economic exchange was the outcome of an historical process and that, hence, capitalism represented a historically specific form of production. According to him, capitalism is just one type of productive system among others which have preceded it in history. Another assumption of classical economy is that capital, commodities, and prices are, in principle, independent of mediation by man. Marx, however, argues that physical objects form elements within a definite set of social relations <sup>14</sup>.

Production activities, according to Marx, have to be understood by the dialectic relationship between the forces of production and the production relations, as base or substructure, on the one hand, and the different elements of the superstructure like ideology, law, religion, political and cultural institutions, on the other. The productive forces, according to Marx, include both material means of production and human labour. They encompass the development of historical phenomena such as machinery, changes in the labour process, the opening up of new sources of energy, and the education of workers. Furthermore, the productive forces do not only comprise changes in the means of production as a result of scientific development, but, in Marxist thought, also science itself <sup>15</sup>. The conditions of the productive forces will lead to a particular mode of production. Thus, one can differentiate productive activities like subsistence production and industrial production. The revolutionary development of the productive forces encourages an expansion of the division of labour which is, at the same time, synonym with the growth of conflictual relations and alienation.

Production relations do not only exist between man and nature but also between human beings themselves. Marx argued as follows:

In production, men not only act on nature, but also on one another. They produce only by cooperating in a certain way and

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<sup>14</sup>. Anthony Giddens, *op cit*, p. 10

<sup>15</sup>. Tom Bottomore, *A Dictionary of Marxist Thought*, Blackwell Ltd, Great Britain, 1983, p. 178.

mutually exchanging their activities. In order to produce, they enter into definite connections and relations with one another and only within these social connections and relations does their action on nature, does production, take place.<sup>16</sup>

Relations of production are the relations which involve all the parties into production activities. These relations are constituted by economic ownership of productive forces where capitalists own the means of production, while workers merely own their labour power. Since the work place is owned by capitalists, workers fall under their control. In other words, workers depend on capitalists for their livelihood. The capitalist mode of production leads to a class division between the working class or proletariat, on the one hand, and the capitalists or bourgeois class, on the other. These class relations continue to be conflictual because workers are forced into an unequal relationship.

... the social relations of bourgeoisie and proletariat are relations of fundamental conflict since their relationship is a one-sided and exploitative one. All of those who sell their labour power are, objectively, members of the proletariat.<sup>17</sup>

Changes of productive forces will determine changes in productive relations. Since the class of capitalists occupies the position of the ruling class which controls the working class, changes in production relations are a result of the competitive struggles between both parties. The capitalists, on the one hand, strive to maximize their profit, while the workers struggle to improve their wages and working conditions. Social change emerges as a consequence of the dialectical relationship between productive forces and production relations. Both productive forces and relations of productions, eventually, influence the political and cultural institutions which make up the superstructure. Following Marx's dialectic way of thinking, the superstructure can also effect changes of the substructure.

Durkheim's writings did not directly deal with phenomena in the productive sphere but were concerned with the general development of modern industrial society. The concept of "division of labour" used by

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<sup>16</sup>. Anthony Giddens, op cit, p. 35 ; a quotation from Marx and Engels: *Selected Works*

<sup>17</sup>. Tony J Watson, *Sociology of Work and Industry*, Routledge and Keagan Paul, London, Boston, 1980, p. 55



Durkheim and frequently relied upon by later sociologists in their studies of the industrial production process was originally not from Durkheim. It had previously been developed by social philosophers such as Plato and Aristoteles and, in modern times, by Adam Smith, Auguste Comte, Karl Marx, and others. Smith (1776), for instance, used this term to refer to the extreme specialization in the process of manufacturing. Smith maintained that technical specialization in the production process would increase the productivity of labour. Comte recognized that the division of labour strengthened social solidarity by creating relations of mutual dependence between individuals. Marx, in his early writings, claimed that the division of labour produced social conflict and was the primary cause of social inequality and alienation<sup>18</sup>. Durkheim did not become well-known for using the term of division of labour, but by stating that the division of labour and functional differentiation of roles create social integration in modern society. This stands in contrast to Marx's previous argument.

It is not my intention to take up the controversy about Durkheim's intellectual background. Obviously, he was influenced by both French and German social thinkers such as Rousseau, Saint-Simon, Auguste Comte, Herbert Spencer, Schäffle, and Lilienfeld. Whatever the intellectual development of a person might be, it cannot be separated from its predecessors.

Society, in Durkheim's notion, forms an integrated unity which is in some sense comparable to a living organism. It is not merely rooted in individual interactions.

Society is a reality *sui generis*; it has its own peculiar characteristics, which are not met with again in the same form in all the rest of the universe. The representations which express it have a wholly different content from purely individual ones<sup>19</sup>.

Durkheim emphasizes that society has its own specific properties

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<sup>18</sup>. Nicholas Abercrombie (ed), *Dictionary of Sociology*, Penguin Books, second edition, 1988, p. 74. See also "Division of Labour" and "Durkheim, Emile", *International Encyclopedia of Social Sciences*, edited by David Sills, the Macmillan Company and the Free Press, vol 4, 1968, p. 243 and 311.

<sup>19</sup>. Robert A. Nisbet, *Makers of Modern Social Science, Emile Durkheim*, Prentice-Hall Inc, Englewood Cliffs, Newjersey, 1965, p. 32. See also Emile Durkheim, *The Elementary Forms of Religious Life*, p. 446.

which are separable from those of its individual members. Society is bound together, not by material relations, but by the ties of ideas. Sentiments, traditional moral beliefs, and ideals constitute the cultural inheritance of the members of society. They have evolved socially and are not a result or a property of any specific individuals. Thus, society is impersonal. It has the *Conscience Collective* property which is not the same as the individual consciousness. The *conscience collective* is a composite unity made up of individual minds as its elements <sup>20</sup>.

Durkheim describes social change by distinguishing between two types of social solidarity: mechanical and organic solidarity. Traditional society is integrated by mechanical solidarity.

The first (mechanical solidarity, S.) is that which has existed throughout most of the history of human society. Based on moral and social homogeneity, it is reinforced by the discipline of small community. Within such a frame work, tradition dominates, individualism is totally lacking, and justice is overwhelmingly directed toward the subordination of the individual to the collective conscience. Property is communal, religion is indistinguishable from cult and ritual and all questions of individual thought and conduct are determined by the will of community. And the ties of kinship, localism, and the sacred give substance to the whole <sup>21</sup>.

Since traditional society is held together by the existence of communally shared sentiments and beliefs, individual differentiations are few and less important.

According to Durkheim, modern societies have developed an organic form of cohesion based on complex interdependencies as a result of an advanced division of labour. This organic solidarity stands in contrast to the mechanical coherence of less complex societies. The development of technology, which is characteristic of modern society, leads to a shift from collective property to individual property. The latter is a prerequisite for expanding social differentiation. Thus, one can argue that the modern form of society is associated with increasing individualization. Technological change also produces occupational specialization. In societies held together by organic solidarity,

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<sup>20</sup>. Anthony Giddens, op cit , p. 67

<sup>21</sup>. Robert A. Nisbet, op cit, pp 34-35

individuals pursue different functions but are united by complementary roles. Thus, the division of labour constitutes integration in the modern social order <sup>22</sup>.

Correspondingly, new values and fundamental understandings emerge which consensually represent the new order in cognitive as well as moral term (*conscience collective*) <sup>23</sup>.

Individual life in modern society is more personal. Life chances which are based on equal opportunity and merit, the regulation of cooperation and exchange, a balance of obligation and duty, and the autonomy of associations which emerge from the division of labour make up the new social order that becomes the "new religion" of industrial society <sup>24</sup>.

Durkheim perceived the factory within his framework of the organic analogy. Industrial organizations, in turn, were seen as part of the social or socio-technical system of the factory. Thus, he emphasized integration and necessary interdependence of a part and the whole. Only by the participation of the individual employee in the plant management can systematic integration be maintained and the potential pathologies of factory life be avoided <sup>25</sup>.

Although Weber (1864-1920) and Durkheim (1858-1917) were contemporaries, their way of thinking developed in a strikingly different way. Weber's fundamental concepts of sociology are important for understanding his standpoint which strongly differs from that of Marx and Durkheim. Sociology, according to Weber, is concerned with the formulation of general principles and generic type concepts in relation to human action. For this purpose, sociological analysis has to be connected to the study of historical phenomena. In contrast to sociological analysis, which tries to establish general principles, history is mainly interested in the causal explanation of particular events and

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<sup>22</sup>. *ibid.* Anthony Giddens, *op cit*, p. 73

<sup>23</sup>. Dietrich Rueshemeyer, *Power and The Division of Labour*, Standford University Press, California, 1986, p. 34

<sup>24</sup>. *ibid*

<sup>25</sup>. Tony J. Watson, *op cit*, p. 44

processes<sup>26</sup>.

In his work, Weber is mainly concerned with the empathetic "understanding" of social action<sup>27</sup>. According to him, it is essential to render intelligible the subjective basis upon which social action rests. The fact that social activities have a "subjective" character does not preclude the objective analysis of social and historical phenomena. The interpretative understanding of social action refers to its subjective meaning which is directed to other individuals or groups. Sociology also takes into account objects and events which influence human activity such as climate, geography, and biology, yet these are devoid of subjective meaning. It is the particular task of sociologists to study the subjective meaning contained in the various forms of social action.<sup>28</sup>

Weber's general perspective of social development is set off from Marx and Durkheim who share, whatever their differences, a commitment to definite patterns and 'stages' in the process of social development from primitive to modern society. Weber analyzes rationalization as a basic cultural process which has characterized Western historical development for centuries.

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<sup>26</sup>. Anthony Giddens, op cit, pp. 145-146

<sup>27</sup>. To understand the subjective meaning of social action, Weber distinguishes two kinds of interpretative understanding of rational or emotional actions. The first kind is 'direct understanding', i.e., one understands the meaning of an action through direct observation. This applies to rational and non-rational conduct of actors. The former can be understood by the formal logic of modes of thinking of actors, while the direct understanding of non-rational conduct refers, for instance, to an outbreak of anger as manifested in facial expression or non-rational emotional reactions. The second kind of understanding is 'explanatory understanding'. In this case, an understanding involves the elucidation of an intervening motivational link between the observed activity and its meaning to the actor. This type of understanding is also divided into two forms. The rational forms consist of the understanding of action where an individual is engaged in activity which involves the use of a given means to realize its particular ends. A similar kind of indirect process of motivational inference can be made in relation to non-rational actions. The understanding of motivation involves the particular action which is connected with a broader normative standard with reference to individual acts. In order to grasp a causal explanation, one has to make a distinction between subjective and causal adequacy. The interpretation of social action is subjectively adequate at the level of meaning, if the motivation which is attributed to it accords with habitual normative pattern which are recognized. Social relations, according to Weber, exist whenever there is a reciprocity on the part of two or more individuals, each of whom relates his action to anticipate the other. Anthony Giddens, Op cit, pp. 148-149.

<sup>28</sup>. Anthony Giddens, op cit p.147



Weber sees a process of *rationalization* underlying western history- this is the tendency for traditional or magical criteria of action to be replaced by technical, calculative or scientific criteria. Social life is 'demystified' or 'disenchanted', rational pursuit of profit motivates work behaviour and efforts are increasingly co-ordinated through bureaucratic means<sup>29</sup>.

Weber, furthermore, insists that social relationships both influence and are influenced by the growth of rationalization. In this sense, the mode of rationalization and its effects promote a particular conjunction of social relationships and institutions. The 'direction' which is assumed by rationalization in the West, more specifically in capitalism, differs from that of other major civilizations. Rational capitalist conduct entails consequences in the sphere of social organization and eventually fosters the spread of bureaucracy<sup>30</sup>.

The differentiated division of labour, in Weber's view, characterizes capitalism. Weber does not reject Marx's argument that modern capitalism results in a class system which is based on capital and wage labour. He maintains that the class system which emerges from the division of labour is marked by bureaucracy as the most integral feature of modern capitalism. Weber argues that any form of organization which has hierarchy and authority can become subject to a process of 'expropriation'. Weber substitutes the 'means of production' in Marx's understanding with the term 'means of administration'. Instead of 'relations of production', he speaks of 'domination' and 'subordination'<sup>31</sup>. In Weber's understanding, the more an organization conforms to the features of the ideal type of organization, the more it can be said to be 'bureaucratized'.

The ideal type of bureaucratic organization involves the following principle features: a formally delimited hierarchy, with the duties of distinct 'offices' being specified by written rules; staffing by means of full-time, salaried officials; and selection and allocation of officials by impersonal criteria, on the basis of qualification<sup>32</sup>.

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<sup>29</sup>. Tony J. Watson, *Op cit*, p. 51.

<sup>30</sup>. Anthony Giddens, *Op cit*, p. 233.

<sup>31</sup>. Anthony Giddens, *Op cit*, p. 234.

<sup>32</sup>. Anthony Giddens (ed), *Social Class and The Division of Labour*, Cambridge University Press, Cambridge, London, New York, 1982, p. 34.

The further progress of bureaucratization is inevitable in the modern world. Bureaucracy is like a 'human machine'. In bureaucracy, human social organization is put on a level with the formal rationality of technology in the material world. The progress of bureaucratization reveals a tension between the demand for technical efficiency of administration, on the one hand, and the human values of spontaneity and autonomy, on the other. Eventually, bureaucracy will constitute an 'iron cage' which limits the freedom of '*Berufsmenschen*' in modern capitalism.<sup>33</sup>

### **Industrial Relations and the Sociology of Work and Industry**

The three pioneers of modern social thinking discussed above have all contributed to the study of industrial relations, although they never actually used this term. Marx, Weber, and Durkheim studied industrial phenomena in a broader fashion by relating it to more general developments in history, culture, economy, and politics. Society is analysed by them on the basis of the historically developed relations between individuals, classes, and groups. Relations of work in the factory are described as a complex division of labour determined by the development of technology and machinery. Social relations in the factory have not only been studied by sociologists but also by other disciplines such as history, economy, psychology, politics etc.

The study of social relationships in the manufacturing industry, i.e. of the relations between employers, managements, workers, trade unions, and the government, have fostered the emergence of the concept of industrial relations which is generally used today.

This phrase (industrial relations, S.) covers the employment relationships and the institutions associated with it. It embraces the relations between workers, work groups, worker organizations and managers, companies and employer organizations.<sup>34</sup>

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<sup>33</sup>. Ibid. Anthony Giddens 1971, Op cit, p. 235

<sup>34</sup>. Nicholas Abercrombie (ed), Op cit, p.122



Thus, industrial relations is an all inclusive term which covers all aspects of employment relationships, its associated institutions, and the socio-economic environment including nature. Most writers accept the above definition, although with different emphasis. Other authors prefer to use the term 'labour relations'. The latter concept is sometimes understood as referring to only a certain aspect of industrial relations, i.e., the institutionalized relationships in the workplace. In other publications, it is used interchangeably with industrial relations.<sup>35</sup>

The whole scope of industrial relations can be divided into three major elements. First, that part of the *industrial relations system* which refers to roles, relationships, institutions, processes, and activities in industry and services. This part includes the study of organizations and suborganizations, work groups, sections, and departments. The second aspect of industrial relations refers to *social activities* in the factory which influence and are influenced by social and economic activities in surrounding society. The third aspect refers to the study of time in industrial relations a. at the micro level: today's problems stem from yesterday's decisions and its solutions to anticipate the problems of the future, b. at the macro level: industrial relations as a whole are affected by the development of society expressed through changes in the economic, social, and political environment.<sup>36</sup>

Thus, industrial relations have to be understood in a broader sense. Their study has to encompass a general consideration of social change. Today, the borders between the different disciplines of the social sciences are difficult to maintain. Each discipline not only develops its specific approach but there are also multidisciplinary ones. In this context, it is impossible to summarize the ongoing epistemological debate. Since the phenomenon of industrial relations is studied by many disciplines, it is necessary to point out the particular sociological approach to the study of industrial relations which is closely related to the sociology of work and industry.

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<sup>35</sup>. A.I Marsh and E.O. Evans, *The Dictionary of Industrial Relations*, Hutchinson Educational LTD, London, 1973, p.155

<sup>36</sup>. Michael Salamon, *Industrial Relations, Theory and Practice*, Printice Hall, New York, London, 1987, pp.1-2

The sociology of industry as a more specialized field of study only emerged during the 1920's and 1930's. Its major development has been largely a feature of the last forty years. The early sociology of industry was influenced by the famous experiment conducted by Hawthorne between 1927 and 1932 at the Chicago plant of the Western Electric Company. Elton Mayo popularized the research results which emphasize the need for better human relations at the workplace. Mayo studied group relations both among workers themselves and between workers and their supervisors. On the basis of his inquiry, Mayo concluded that worker's participation in groups outside the factory could adversely influence productivity and morals inside the factory. Both Hawthorne and Mayo conducted psychological research and employed experimental methods.<sup>37</sup>

Industrial psychology started to develop in the 1900's in the United States and emphasized the application of research results to the selection, training, and vocational guidance of workers and employees. In England, the field of study was known as occupational psychology. An industrial psychologist is commonly a person who has been trained in experimental psychology and works in business enterprises. Meanwhile, the role of the industrial psychologist has expanded.

He may be thought of as the behavioral scientist who attempts to bring into focus the classical problems of the personal man, the social aspect of human relations, and the new and the difficult human problems caused by the inescapable confrontation of men and machines.<sup>38</sup>

The industrial psychologist as a scientist designs and validates selection tests and studies the relationship between individual personalities in the factory system. As a specialist, he advises the department of industrial relations in the company about contract

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<sup>37</sup>. Adam Kuper and Jessica Kuper, *The Social Science Encyclopedia*, Routledge and Keagan Paul, London, 1985, 387. See also David Sills (ed) , *International Encyclopedia of Social Sciences*, Vol..., p.223.

<sup>38</sup>. David L. Sills, *ibid*.

negotiations with unions, the recruitment of workers, etc.<sup>39</sup>

Industrial sociologists are rarely specialists employed by private companies. Most of them are in fact social scientists. As researchers, they are mainly concerned with issues such as the nature of social relations involved in the process of production. Industrial sociologists try to find out whether these relations are cooperative and harmonious or conflictual and they try to provide causal explanations. Industrial sociologists also ask whether the tasks performed by workers give them satisfaction.<sup>40</sup>

One of the topics of industrial sociology is the study of industrial relations. Although industrial relations are not explicitly mentioned in the writings of the classical sociologists, they certainly make important contributions to the sociological study of industry and work at present.

### **The Scope of Study**

Current sociological studies of work and industry are not confined to the situation in industrialized countries. Some sociologists are concerned with the industrialization process in developing countries. It is possible to compare industrial relations in current developing countries with the ones during the early days of industrialization in European societies, despite the fact that the character of capitalist development is often quite different. Industrialization in developing countries commonly takes place as a result of the intervention of a strong state which controls most economic activities of society. The government policy of supporting foreign investment in the local manufacturing industry fosters capital accumulation. Economic development in developing countries thus seems to be inevitable. The emergence of the newly industrializing countries (NICs) caused some sociologists to extend their studies beyond the level of economic development to the question of how the norms of traditional culture

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<sup>39</sup>. Ibid.

<sup>40</sup>. Nicholas Abercrombie, *Op cit*, p. 236. In some dictionaries and encyclopedia of social sciences or sociology, there are no special entries on industrial sociologists.

can be reconciled with the necessities of industrial organization.

A sociological study of industry and work in contemporary Indonesia has to pay close attention to the quality of industrial relations. The strict competition in the international market for industrial goods has encouraged the keeping down of wages for manufacturing workers, thereby increasing the incidence of labour unrest. It is very common in developing countries that low labour costs are largely a result of labour controls introduced by the state. These controls usually protect the rights of employers rather than those of workers.

The present study examines the relations between blue-collar workers and the management in two Javanese textile factories. Major points of interest will be the impact of traditional culture and values on industrial relations and the effects of industrial relations on the behaviour of workers in the workplace.



## **CHAPTER 1**

### **THEORETICAL APPROACH AND RESEARCH METHOD**

#### **Introduction**

In the social science, there is a variety of theoretical concepts that deal with culture and organization as important factors influencing human behaviour. These theoretical perspectives will assist in the understanding and explanation of the problems studied in the present research project. In the following discussion, I will repeatedly refer to Smircich (1983) who reviews a number of concepts of culture that are used in different ways for the analysis of organizations.

The first school of thought is made up by comparative management studies. This perspective is concerned with a cross-cultural comparison of the relationship between management and employees' attitudes. The concept of culture is considered as an independent external variable that can influence organizational processes.

The second school of thought is usually referred to as corporate cultural studies which perceives organizations as instruments both for the production of goods and services and also for the production of distinctive cultural artifacts, rituals, legends, ceremonies, etc. Although proponents of corporate cultural studies are aware that organizations themselves are embedded in a wider cultural context, researchers emphasize the fact that socio-cultural characteristics develop within the organization. They usually define culture as social or normative glue that holds together an organization. The organization itself expresses values or social ideals and beliefs which the members of organizations come to share. Both the first and the second perspective treat culture as a variable. The first, however, states that culture as external variable determines organizations, while the latter



conceives culture as internal factor.<sup>1</sup>

The third school of thought conceives of culture as a root metaphor for conceptualizing organizations. In this perspective, some theorists argue that organizations themselves have to be understood as culture.

Culture as a root metaphor promotes a view of organizations as expressive forms, manifestations of human consciousness. Organizations are understood and analyzed not mainly in economic or material terms, but in the terms of their expressive, ideational, and symbolic aspects. ...this perspective is to explore the phenomenon of organization as subjective experience and to investigate the patterns that make organized action possible.<sup>2</sup>

This perspective is divided into three sub-schools of organizational analysis. First, the cognitive perspective theorists see that culture is a 'unique system' for perceiving and organizing material phenomena, things, events, behaviour, and emotions. They consider an organization as analogous with culture. An organization represents a particular structure of knowledge for knowing and acting.

They propose that an organization culture may be represented as a 'master contract' that includes the organization's self-image, as well as constitutive and regulative rules that organize beliefs and actions in light of the image<sup>3</sup>.

Secondly, theorists of a symbolic perspective emphasize an organizational analysis which is primarily concerned with the question of how individuals interpret and understand their experience and how their interpretation and understanding are transformed into action. An organization is seen as the pattern of action and social relationships.

Third, a structural and psychodynamic perspective understands practices and forms of organization as the projections of an unconscious process. In this sense, an organization is analyzed with reference to the dynamic interplay between out-of-awareness processes

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<sup>1</sup>. Linda Smircich, *Concept of Culture and Organization Analysis*, *Administrative Science Quarterly*, September 1983, pp. 342-345.

<sup>2</sup>. Ibid, p. 347.

<sup>3</sup>. Ibid, p. 348



and their conscious manifestations <sup>4</sup>.

From Smircich's review it has to be concluded that the significance of culture for analyzing organizations can only be considered against the broader background of basic assumptions and purposes of the respective researcher. Whether or not a cultural framework is useful for organizational analysis depends on the purpose and context. The development of the above-mentioned theoretical perspectives is derived from classical sociological and psychological theories such as those based on the works of Weber, Durkheim, and Freud.

In the present work, I will analyze the behaviour of actors within organizations on the basis of the relationship between traditional cultural values and organizations. In this context, attention will be paid to the different ways in which organizational elites, i.e., employers and members of the management, on the one hand, and workers, on the other, understand and perceive traditional cultural values. For this purpose, I return to Weber's thoughts on the relationship between traditional culture and modern organization.

### **Max Weber: Types of Rationality and their Relevance for an Understanding of the Relationship between Cultural Values and Organization**

Weber's analysis of the rationalization process in various civilizations is based on types of rationality as a cornerstone. Social action, according to him, can be guided by four types of orientation (a) instrumental rationality (*Zweckrationalität*), (b) value rationality (*Wertrationalität*), (c) affects or emotions, and (d) traditions.<sup>5</sup> On the basis of these four

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<sup>4</sup>. Ibid, pp. 350-351

<sup>5</sup>. Action is instrumentally rational when the ends, means, and the results are rationally taken into account and weighed. This involves the rational consideration of alternative means to the end, of the relation between the end and its consequences, and the possible importance of different ends. Value rationality is characterized by a conscious belief in a certain behaviour because of its ethical, aesthetic, or religious value. The value of the behaviour is seen independently of its prospect of success. Max Weber, *Economic and Society*, edited by Guenter Roth and Claus Wittich, University of California Press, California, London, 1978, pp. 24-26

types of orientation, Weber analyzes the patterns of social action. For the present study, affectual and traditional types of social action are considered less relevant.<sup>6</sup>

Kalberg (1980) developed Weber's conceptual framework into a classification of four types of rationality, that is, practical, theoretical, substantive, and formal rationality. With regard to these types of rationality, my attention in the present study focusses on substantive, practical, and formal rationality in order to understand the relationship between traditional cultural values and organizations as expressed in the action of individual actors.

Substantive rationality is derived from Weber's concept of value rationality and refers to man's capacity for value-rational action. It patterns action in a way that is not based on mere means-ends calculations for the solution of routine problems. Action is substantively rational when it is rooted in a 'value postulate'.

Friendship, for examples, whenever it involves adherence to such values as loyalty, compassion, and mutual assistance, constitutes a substantive rationality. Communism, feudalism, hedonism, egalitarianism, Calvinism, socialism, Buddhism, Hinduism, and the Renaissance view of life, no less than all aesthetic notions of 'the beautiful', are also examples of substantive rationalities...<sup>7</sup>

'Rational' and 'irrational', according to Weber, refer to the ways in which value postulates order the pattern of individual action. For example, the religious person is only 'irrational' when seen by an irreligious one. In the same way, capitalism is 'irrational' as seen from the viewpoint of communism, feudalism, or another political system. In this sense, all values are rational in a certain context.<sup>8</sup>

The peculiar character of the development of Western capitalism

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<sup>6</sup>. Pattern can "occur at a plurality of levels of sociocultural processes, from those manifest in the dominant paths followed by entire civilizations to others that characterized long-term historical developments or short-term societal movements. Regularities of action surfaced as well within institutions, organizations, strata, classes, and groups in all societies". Stephen Kalberg, *Max Weber's Types of Rationality: Cornerstone for the Analysis of Rationalization Process in History*, American Journal of Sociology, vol 85 number 5, 1980, p. 1148

<sup>7</sup>. Ibid, p. 1155. Max Weber (1978), Op cit, p. 85

<sup>8</sup>. Stephen Kalberg, ibid, p. 1156

was marked by a change from out-of-the-world ascetism to innerworldly ascetism in the religious ideology of Protestantism which did not occur in other civilizations. The value rational orientation of the believers of Puritanism religiously encouraged value discipline, methodical work, reinvestment of money, etc. as systematic components of economic activity. This means that the means-end rationality was inspired by the religious value postulate for attaining salvation. Eventually, this provided an impetus for the formal organization of economic enterprise.<sup>9</sup>

The other two types of rationality, i.e., practical and formal rationality, are both rooted in means-end calculation. Although they both rely on means-end calculations, their basic orientations which constitute action are different. Practically rational actions are ordered by self-interest, while formally rational actions are governed by universal law or regulations.

... formal rationality generally relates to spheres of life and a structure of domination that acquired specific and delineated boundaries only with industrialization: most significantly, the economic, legal and scientific spheres, and the bureaucratic form of domination. Whereas practical rationality always indicates a diffuse tendency to calculate and to solve routine problems by means-end rational patterns of action in reference to pragmatic self-interests, formal rationality ultimately legitimates a similar means-end rational calculation by reference back to universally applied rules, laws, or regulations.<sup>10</sup>

Formal rationality characteristically refers to the application of general rules in spheres where the orientation of action is not determined by personal qualities of individual interest but by the selection of adequate means in order to achieve a certain end of organization. The orientation of action in the bureaucratic organization, for instance, aims to calculate precisely and efficiently means to solve problems under universal and abstract regulations. The different types of rationality involve different mental processes which are either directly

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<sup>9</sup>. Ibid, p. 1163. Max Weber, *The Protestant Ethic and The Spirit of Capitalism*, Charles Scribner's sons, New York, 1958, pp. 35-78. See also Max Weber (1978), Op cit, p. 26.

<sup>10</sup>. Stephen Kalberg, Op cit, p. 1158

or indirectly related to action.

**Table 1.1 Concious Mastery of Fragmented Realities through Regularities of Action**

Type of Rationality	Mental Processes	Relation to Action	Reference for Mental Processes
Theoretical	Various abstract processes	Indirect	Values or Purely theoretical problems
Practical	Means-end calculation	Direct	Interest
Formal	Means-ends calculation	Direct	Rules, Laws, Regulations
Substantive	Subordination of realities to values	Direct	Values

Source: Stephen Kalberg, p. 1161

It is important in the present study to pay attention to the relationship between substantive and formal rationality. In Weber's scheme, sociocultural and historical factors constitute both substantive and formal rationality which are institutionalized as normative regularities of action within 'legitimate orders' such as organization<sup>11</sup>, class, strata, etc. Practical rationality is based on individual interest and refers to problem-solving which is confined by the pragmatic difficulties of everyday life.<sup>12</sup> Substantive rationality, in Weber's understanding, is nothing more than an instrument to legitimize an action whereby the action is oriented to means-end calculations of an organization.

These points of view are, however, significant only as bases from which to judge the *outcome* of economic action. In addition and

<sup>11</sup>. In Weber's terms, organization (*Verband*) is the form of social relationship which either forecloses or limits the admission of outsiders. The enterprise (*Betrieb*) is a formal organization, while voluntary organization (*Verein*) refers to an organization which claims authority only over voluntary members. Compulsory organization (*Anstalt*) refers to church or political organization. All above-mentioned organizations are established by formal rules. Max Weber (1978), Op cit, p. 48 and 52

<sup>12</sup>. Stephen Kalberg, Op cit, p. 1161



quite independently, it is possible to judge from an ethical, ascetic, or esthetic point of view the *spirit* of economic activity (*Wirtschaftsgesinnung*) as well as the *instruments* of economic activities. (...) There is no question in this discussion of attempting value judgments in this field, but only of determining and delimiting what is to be called 'formal'. In this context the concept 'substantive' is itself in a certain sense 'formal'; that is, it is an abstract, generic concept.<sup>13</sup>

The relationship between substantive and formal rationality can be understood as 'elective affinities' where the former is manifested in formal rules, laws, and regulations to legitimize an 'order'. While, in turn, formally institutionalized laws uphold ethical substantive rationality to maintain value-rational action.

Concrete examples make it easier to understand the relationship between both types of rationality.

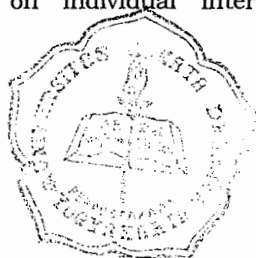
When substantive rationalities are formed by prophets, priests, and theologians into ethical salvation doctrines and institutionalized in an organization, whether a church, sect, or hierarchy the devout typically feel obligated to uphold this 'ethical substantive rationality' for value-rational reasons. (...) Prussian civil servants of the 19th century performed their tasks efficiently and began their workdays punctually at eight because of their belief in a value constellation: according to the 'bureaucratic ethic', duty required dependability, precision, efficiency, punctuality, discipline, stability, and reliability.<sup>14</sup>

Weber admits, of course, that many persons as members of organizations do not primarily strive to uphold certain value constellations, but instead use them as an instrument in a means-end rationality manner. Thus, members of organizations do not necessarily believe in values out of an ethical principle, but as guidelines of action that can be upheld according to particular concerns. In the latter case, the pattern of substantive rational action is not understood as value rational but as means-end rational motive for supporting one's own career in the organization.

Weber does not ignore the possibility of action that is oriented by means-end rational motives based on individual interest in

<sup>13</sup>. Max Weber, *Op cit*, p. 86

<sup>14</sup>. Stephen Kalberg, *Op cit*, p.1162



organizations, but his focus of analysis is mainly directed towards the formal rational pattern of action based on means-end rationality which, nevertheless, remains ethical conduct. Gouldner (1954) criticized Weber's concept of bureaucratic organization by contending that Weber ignores certain important issues. If bureaucratic authority becomes effective, who is benefitted by its application? In whose terms can bureaucratic rules be perceived as rational devices? Weber does not distinguish between the ends of different actors. He assumes that all actors in an organization pursue more or less identical goals. According to Gouldner, it is necessary to analyze the specific ends of different actors or the typical ends of different strata.<sup>15</sup> Similar questions can be asked about the relationship between cultural values and organizations. Which actors define cultural values? For what reasons do they institutionalize certain cultural values? Do they really uphold value rationality or do they in fact only apply means-end calculations without paying attention to ethical principles? These theoretical considerations encouraged me to analyze the relationship between significant cultural values and organizational issues in the industrial relations of contemporary Indonesia.

One of Weber's main points of interest was to compare the rationalization process which occurred in the Occident with the situation in the Orient. He confronted the various types of rationalization produced by the ancient civilizations of China, India, and the Arab world with the development in Europe. Weber showed why a certain kind of rationalization had only developed in the West and did not appear in the other civilizations. By this point he did certainly not want to imply that non-Western cultures were "irrational", but the particular type of rationality produced by the West did not exist in the East.<sup>16</sup>

The development of capitalistic associations with their own accounts is also found in the Far East, the Near East, and in antiquity. But compared to the modern independence of

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<sup>15</sup>. Alvin W. Gouldner, *Pattern of Industrial Bureaucracy*, The Free Press, New York, 1958, p. 20

<sup>16</sup>. Andreas Buss, *Max Weber and Asia*, Weltforum Verlag, Köln, 1985, p. 28

business enterprises, those are only small beginnings. The reason for this was particularly that the indispensable requisites for this independence, our rational business book-keeping and our legal separation of corporate from personal property, were entirely lacking, or had only begun to develop.<sup>17</sup>

Weber's concept of rationalization mainly emphasizes rational means-end calculation as the distinctive feature of modern Western society. Today, this type of rationalization can be found in Eastern societies as well. Rationalization in the West was accompanied by the development of technology from the early industrial revolution to fully industrialized and post-industrial society. The latter is characterized by the automatization of technology. The impact of rationalization, however, was not limited to the development of technology. Schmidt (1992) demonstrated that rather substantial changes occurred in the social, cultural, and political qualities of capitalism, although the socio-economic condition of capitalism did not change in countries such as Italy, France, and Germany during the late 1980's<sup>18</sup>. When the economic performance of Japan started to improve around the turn of the century, some observers - including Weber - contended that Confucianism as a conservative doctrine would not encourage social and economic progress. With the current surge of economic activities in the Far East, some analysts take the contrary position and argue that certain essential cultural values of the East have a positive impact upon economic progress. Some values such as harmony, loyalty, family cohesion, and others are seen as a great assets for economic development.<sup>19</sup> Although I will pay attention to the situation in a number of Asian countries, a more detailed comparative study of the

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<sup>17</sup>. Max Weber (1958), Op cit, p. 22

<sup>18</sup>. Gert Schmidt, *New Information and Communication Technology, Changed Pattern of Rationalization or "Is Business Really Changing?"*-- A 20 Years Old Question Revisited, in Martin Heidenreich (ed) "Computer, Communication, and Culture. The Introduction and Use of Production Control in French, Italian and German Enterprises, FSP Zukunft der Arbeit, Arbeitsberichte no. 67, Universität Bielefeld, April 1992, p. 26.

<sup>19</sup>. Pang Eng Fong, *The Distinctive Features of Two City States Development: Hong-Kong and Singapore*, in Peter L. Berger, "In Search of An East Asian Development Model, Transaction Books, New Brunswick (USA) and Oxford (UK), New Jersey, 1988, p.235. See also Nicole Woolsey Biggart, *Toward Weberian Institutional Perspective*, Theory and Society Journal, no. 20, 1991, p. 207.

importance of cultural factors in industrial relations will be beyond the scope of the present work.

Cultural values such as harmony, mutual assistance, family cohesion, etc. have been traditional features of Indonesian social life and nowadays are institutionalized into the Indonesian ideology of industrial relations. In hierarchical societies like Indonesia (in particular Java and Bali), one has to distinguish between values of the "great" and the "little tradition".<sup>20</sup> Since these values have been known by the people, it has been difficult to grasp them in scientific terms. Nevertheless, by paying attention to different actors the role of these values for the orientation of behaviour can be understood.

Most important in the present context are the Indonesian cultural values of harmony, mutual assistance, and family cohesion/solidarity. Harmony, as defined by the present Indonesian government, denotes a condition of "peacefulness" and the absence of conflictual relations. The principle of mutual assistance is essentially an exchange relationship for the mutual benefit of the participants. Family cohesion or solidarity refers to close kin relations which are not confined to the nuclear family but also include the extended family. The principle of mutual assistance simply refers to exchange relationships. Both parties, employers/management and workers, understand these values in a different manner.

The major hypothesis of the present study is the following one: Since there are different orientations such as economic, administrative, and other ones, both management/employer and workers rely on cultural values in the pursuit of their interests. Employers and management use the cultural value of "harmony" as an instrument to legitimize system control for the successful running of their businesses, while part of the workers use the value of "harmony" as an instrument to attack the employers' violation of labour regulations and to uphold their legal rights. As a result of this, the relationship

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<sup>20</sup>. Robert Redfield distinguished between a great and a little tradition in order to describe the communal roots of different values. The great tradition or 'high culture' is cultivated in school, temples, and churches, whereas the little tradition or 'low culture' characterizes the lives of the illiterate village community of peasants. Robert Redfield, *Peasant Society and Culture, Anthropological Approach to Civilization*, The University of Chicago Press, Chicago and London, 1958, p. 70



between management and some of the workers tends to be characterized by conflict. Another part of the workers understands "harmony" as "peace" (denoting a conflict-free situation) which leads to loyalty and fatalism. A third group of workers, usually a small minority, conducts relationships with employers on the basis of practical rationality oriented towards the achievement of career aspirations and the promotion of private interests. The management relies on family cohesion among employees as a mechanism both for the recruitment of the work force and for the control of workers. Among workers, family solidarity serves as instrument to find employment for relatives. Mutual assistance represents a safety mechanism for them that does not exist in the relationship between workers and employer.

### **Method and Procedure of Research**

To understand the meaning of social action and to explain which motives determine it is not easy because similar actions on the part of different individuals can be the result of diverse motives. Conversely, similar motives can lead to different social actions. The problem of understanding social action is related to the question of the appropriateness of different research methods. Sociologists who recognize that social phenomena must be studied by understanding subjective meaning and whose common goal it is to constitute a science of social actions emphasize the necessity to begin with systematic observation and an analysis of everyday life.<sup>21</sup>

The concept of "everyday life analysis" points to the study of social phenomena as they are experienced by individuals in daily life. This requires intensive observation by the researcher. Systematic and intensive observation can be conducted in the form of participant observation, a research method characterized by a period of intensive social interaction between the researcher and actors in a particular social milieu. Through participant observation, data can be gathered in

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<sup>21</sup>. Jack D. Douglas (ed), *Understanding Everyday Life, Toward the reconstruction of Sociological Knowledge*, Routledge and Keagan Paul, London, 1970, p. 13

a systematic and unobtrusive manner.<sup>22</sup> The intensity of interaction between the researcher and his respondents is not the only problem of social research. It has also to be decided which kind of data should be collected in order to adequately describe the social realities of individual actors.

In qualitative research methodology, personal documents play an important role in order to view a person in connection with his or her biography and to find out how a person is determined by various social factors such as religion, politics, and economic life. Personal documents will reveal how an individual has experienced success as well as failure and how this experience constitutes action.<sup>23</sup> Participant observation will enable the researcher to observe the various subjective features of a person's life-world like emotions, motives, and meanings. By the application of this method, the researcher can also observe how the daily activities of an individual are not only influenced by outside factors but how these activities, in turn, influence social life.

The participant observer, however, will find it difficult to observe a large number of individuals or even an entire population. For this reason, participant observation is often used in combination with other research methods such as the survey in order to describe the wider implications of a phenomenon in the population at large.

... as Deutscher and others have noted, a few sociologists have combined participant observation with survey-type interviewing or questionnaire (sic) studies.<sup>24</sup>

In the present study, qualitative research methods are clearly emphasized over quantitative ones. Nevertheless, numeric information relevant to the research question was not avoided. Survey data is not analyzed in a quantitative way, i.e. statistically examined and "measured", but rather used as additional evidence to support qualitative data and interpretations. The ensuing paragraphs will

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<sup>22</sup>. Robert Bogdan and Steven J. Taylor, *Introduction to Qualitative Research Methods*, John Wiley & Sons, New York, London, Sydney 1975, p. 5

<sup>23</sup>. Ibid, p. 7

<sup>24</sup>. Howard Schwartz and Jerry Jacobs, *Qualitative Sociology, A Method to the Madness*, The Free Press, New York, London, 1978, p. 46.

describe my research procedure in greater detail.

Field research for the present work was undertaken from April 1992 to January 1993 in the province of Yogyakarta, Central Java. Two textile factories were selected for case studies. Before actual research was conducted, a preliminary study of several manufacturing enterprises in the metal and textile sectors of the Central Javanese cities of Yogyakarta and Semarang had been carried out between March and May 1991. During this period, my attention primarily focussed on the development of personal relations with employers and management members in order to gain permission for the carrying out of field work. My attempts failed in a large metal smelting factory, since the manager who had initially granted permission withdrew his support a year later. After this refusal, I shifted my attention to the textile sector. Both smelting and textile manufacturing developed during the early industrialization period in Indonesia. Metal smelting in the district of Ceper, Klaten regency, Central Java, for instance, has developed since pre-colonial times and up to now remains to be conducted as home and small-scale industry.

There are eight large textile factories in the province of Yogyakarta. My initial plan was to take four factories as a sample but later on I reduced the number because of severe difficulties to receive research permission from the respective firm managements. After gaining formal permission from the regional government, I tried to meet the top management of the four textile firms in order to be admitted to their factories. A few days after my first visits to PT."J" and PT."H" Tex, I was able to meet the respective managing directors. Following the study of a (slightly modified) summary of my research proposal, I was granted permission to conduct research in both enterprises. I did not succeed, however, in meeting the top management of the other two textile firms. During two visits, I was told by employees of both factories that the managing director was busy. Until the end of my field research in mid-January 1993, I never received an answer from those firms. Because of time limitations, I restricted my sample to two factories.

Although the management of both textile companies allowed me to carry out a study in their factories, this did not imply that research

progressed smoothly without further resistance. During the first one and half months of my presence in PT."J" Tex, it was quite difficult to develop close relations with workers within the firm because my activities were strongly controlled by one of the management members who is also an important shareholder of this company. Another problem was that the workers did not really know my precise status in the firm, whether or not I was a new worker, a supervisor, or somebody else employed by the management with the special task to control the workers. After I had explained my position to some of the white-collar employees, they assisted me to pass this information on to the workers. Close relations to some of the white-collar employees also helped me to collect data concerning the development of the enterprise, including the actual development of production. The collection of this data later on caused a conflict between the manager who supported my study and other members of the management because production figures were treated as a "secret" by the firm.<sup>25</sup>

My research in PT."J" Tex was characterized by situation of "double control". While the management members were anxious to monitor all of my activities, the workers suspected me to be a "spy" of the employer. Once I became aware of my precarious situation, I started to develop close contacts with workers outside of the workplace. When I repeatedly visited some of them at their homes, they began to accept my status as an independent researcher in the factory and announced to their colleagues that my purpose was to gather all possible information about the workers' problems. After my permission to study inside PT."J" Tex had expired (i.e., after one and a half months), I was still able to collect relevant information as a result of my private contacts with several workers and white-collar employees.

My experiences in PT."J" Tex made me more careful when I started to undertake research in PT."H" Tex. The management allowed me to study in this company without any time limitation. Although my activities this time were less strictly supervised by the management, the development of close relations with the workers again turned out

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<sup>25</sup>. The exact figure of production development is usually considered as "top secret" because of its connection to tax payment.



to be far from easy. The main problem in the case of PT."H" Tex was that I, as a male researcher, had to collect information from a majority of female workers. My attempts to establish close relations with female workers aroused the attention of other workers, thereby disturbing the work process. Two other problems, which had also emerged in the case of PT."J" Tex, were the noise in the factory hall that made it difficult to communicate and the social distance as a result of status differences between workers and the researcher.

The problem of inter-gender research in PT."H" Tex could be solved with the help of my wife who is a social science graduate and temporarily served as my field assistant. During the first days of her presence in the factory, she also found it difficult to get in closer contact with the workers, since most of them assumed her to be the girlfriend of a top manager. They were reluctant to talk to her and tended to keep a distance. Later on, my wife found out that intimate relationships between male employers and female workers occur quite frequently, although both of the participants often are married and have families. After both of us together had visited some female workers in their homes, my wife had proved that she was not the girlfriend or "mistress" of a top manager. We described ourselves as researchers collecting data on workers' problems.

The news of our visits to workers' homes immediately spread to colleagues in the workplace. There were even reports to the management about our visits. One day, I was asked by the vice-managing director about these visits and the kind of information we had received. Somewhat diplomatically, I replied that the problems of workers in the workplace could not be separated from problems in their families. He seemed to be satisfied with my reply and there were no further questions. In the beginning, I was worried that our visits to the homes of workers might negatively affect our relationship with the management. After our private visits, female workers took a more friendly and communicative stance towards my wife. In the following time, she was also invited to the houses of other workers.

Originally, I had planned to apply as a worker in order to be able to conduct more extensive participant observation in the two factories. Limitations of time and money, however, prevented me from doing so.

General information on PT."J" and PT."H" Tex was gained through close relations with a number of workers and employees. Based on this data, I modified the interview guide which had been prepared before for the collection of in-depth information. Further stages of the research were included visits to worker's homes and the gathering of survey-data.

This present study concentrates on blue-collar workers as units of analysis. The selection of a sample of respondents faced a number of problems. First, in PT."H" Tex no complete information on workers such as their addresses, their educational attainments, etc. was available. Second, in order to limit the geographical dispersion of respondents the sample had to rely on workers who lived in similar locations and were known to each other. Third, it was sometimes difficult to contact workers at their homes, since - besides factory work - many of them were also involved in other income-generating activities. In general, about 25 percent of all workers in both factories served as respondents.

The collection of survey data was carried out by a number of field assistants. Since they were not acquainted with the situation in the factory site, I provided them with background information, e.g., about the names of important persons and certain problems of labour relations in these firms. Although the survey was conducted with a questionnaire, respondents often touched issues not included in the latter. Because of their "briefing" before the interviews, the field assistants were able to understand the contextual meaning of this information and pursue the topic with further questions. This data was noted down on a separate sheet.

After the survey had been concluded, I organized a discussion with my assistants about their experiences and observations in the field. The main purpose of this discussion was to decide which respondents should be selected for in-depth interviews. Some workers were visited more than three times for follow-up interviews. Except one, all in-depth interviews were conducted in my presence, occasionally supported by an assistant (especially in the case of female workers). The interviews were not restricted to the items of the guide but also took account of local conditions in the village (e.g. religious

activities) and the particular situation of the interviewee's family. More general questions were posed to gather information on traditional cultural values in the respective community and on off-factory activities of the workers.

In summary, information was collected from the following sources:

Blue-collar workers : survey data with questionnaire; the interview guide; biographical sketches.

Employees, foremen and supervisors : aggregate data on factory development ; interviews with and without interview guide.

One of the board members of SPUK (union at firm level) : guided interview.

Directors (top management) : interviews with and without the interview guide.

The official of the Manpower Department at the Provincial Level : interviews with and without interview guide.

The Central Bureau of Statistics : aggregate data on the employment situation in Indonesia.

Interviews without interview guide usually took the form of everyday conversation or "open talking" and often elicited spontaneous information from respondents unplanned by the researcher. This data was noted down in the field diary.

## **Summary**

The phenomenon of traditional cultural values within organizations can be explained by referring to Max Weber's different types of rationality. Kalberg expanded this typology into four types, i.e., practical, theoretical, substantive, and formal rationality. In the context of this study, I will emphasize the relationship between substantive and formal rationality. Substantive rationality is a

manifestation of man's inherent capacity for value-rational action. Formal rationality relies on laws, rules, and regulations which do not ignore means-end calculations. Historically, substantive rationality has been constituted by prophets, priests, and theologians and subsequently been institutionalized within formal organizations. Laws, rules, and regulations serve to maintain substantive rationality. Thus, formal-rational action remains ethical conduct based on means-end calculations and oriented towards the objectives of an organization.

In this context emerges the following question: Do all members of an organization pattern their actions in accordance with certain value constellations? Weber argues that many individuals in an organization do not pursue particular values through their actions but, despite their belief in substantive rationality, instrumentalize these values for the realization of their own private interests. This means that substantive rationality can become an instrument to legitimize social conduct based on self-interest.

Most Asian societies have institutionalized harmony, mutual assistance, and brotherhood as "traditional" cultural values and as main principles within organizations. The understanding of these values and principles, however, is not homogeneous throughout society. In the case of the Indonesian manufacturing industry, for instance, harmony carries different connotations for different members of a factory. The employers and management understand harmony as an instrument to legitimize systems of control and subordination in the organization. Workers express a heterogeneous understanding of harmony. Those who point to regulations violated by the management, enter into conflictual relations with their superiors. Workers who interpret harmony as "peace" tend to behave in a loyal manner. For a third group of workers, harmony as a collective value is meaningless. Their actions in the organization are merely oriented towards the realization of private interests and material rewards.



## CHAPTER 2

### INDUSTRIALIZATION AND INDUSTRIAL RELATIONS IN INDONESIA

#### Introduction

It has been mentioned in one of the previous chapters that economic growth during the early stages of the Industrial Revolution in European Countries was effected by changes in the system of production from agriculture to manufacturing industries. The majority of the Asian countries started to make economic progress only in the twentieth century. The economies of Hongkong, Taiwan, and the Philippines expanded significantly in the mid-1950s, while South Korea and Singapore began to grow in the mid-1960s. Thailand, Malaysia, and Indonesia followed in the 1970s<sup>1</sup>. The

term of industrialization refers to sustained economic growth following the application of inanimate sources of power to mechanize production. Industrialization initially took the form of factory production, later spreading to agriculture and services. Compared with pre-industrial organization, it has involved division of labour..., new social relations of production...between the owners...and workers, urbanization and geographical concentration of industry and population, and changes in occupational structure<sup>2</sup>.

The analysis of industrial relations is that part of the study of industrialization which deals with the social relations of production. The concept of industrial relations has been discussed in the introductory chapter of this work.

One focus of sociological research on the period during which industrial production developed is the study of the factory system. It is important to analyze how this system contributed to economic growth and which kind of industrial organization emerged in the factory. The concept of organization is essentially based on social relationships.

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<sup>1</sup>. James Riedel, *Economic Development in East Asia: Doing What Comes Naturally?*, in Helen Hughes (ed), *Achieving Industrialization in East Asia*, Cambridge University Press, London, 1988, p.5

<sup>2</sup>. Nicholas Abercrombie, *Dictionary of Sociology*, Penguin Book, 1988, p. 123

Formal organization is an institution that regulates the social relations of production between employers and workers. These relations are not only of an individual kind but also take place between groups such as between employers, trade unions, and the government. The government frequently intervenes in order to regulate this relations.

In an attempt to analyze the social relations of production within the factory, one cannot ignore the type of rational actions that have been mentioned in the previous chapter. Based on the relation between substantive and formal rationality within organizations, the present study tries to understand the contribution of cultural values to industrial relations and the different ways in which these values are conceived by various actors.

### **Industrialization in Indonesia**

Industrial development has been rapid in Indonesia since the 1970s. While in the period before factories and industrial production did already exist in the country, the development of manufacturing industries then did not significantly contribute to economic growth. The Dutch colonial government in Indonesia used the plantation economy as an instrument to further economic development in the Netherlands. Nevertheless, the first Indonesian (Javanese) factories started to appear in the textile industry at that time. The owners of these factories were mainly Europeans, Chinese, and Arabs. Access to economic resources in the colony was differentiated according to ethnic affiliation. The most privileged position in this regard was occupied by Europeans, followed by the so-called "foreign orientals" (mainly Chinese, Arabs, and Indians) as an intermediate stratum. The least economic opportunities were granted to the indigenous Indonesian people, the "natives" (pribumi).

In the era of Sukarno's Old Order, particularly during the period of "Guided Democracy" from 1959 to 1965, industrialization focussed on the development of state enterprises. Most large-scale foreign enterprises were nationalized. During this period, priority was given to the development of indigenous small-scale producers. The manufacturing sector stagnated as consequences of the aggravating

economic crisis. After 1966, during the Suharto-dominated New Order, the government implemented profound economic reforms. The economic system was liberalized and the influx of private foreign investments encouraged. The result was an acceleration of economic development in Indonesia <sup>3</sup>.

Indonesia's first five-years plan, covering the years 1969/70 to 1973/74, emphasized the development of those industries which could support the agricultural sector. Special support was given to a number of basic industries including the fertilizer, cement, chemical, pulp, and paper industries. The textile sector also received particular attention during these years. The second five-year plan (1974/75-1978/79) largely continued into the same direction. However, indigenous enterprises were emphasized over foreign ones <sup>4</sup>.

The third five-year plan (1979/80-1983/84) stated as primary goal the furthering of industrialization as main factor of economic development. Main emphasis was laid on the promotion of labour-intensive industries. In the following five-year plan the priority of economic development was shifted to the sector of machine industry. Private investments were identified as main actors in the process of industrialization. The fourth plan also highlighted export promotion, import substitution, regional development, and the processing of domestic natural resources <sup>5</sup>.

This is not the place to describe the process of industrialization in Indonesia in depth. In the present work it is only of relevance as general context for the emergence of the factory system and for the development of social relations of production in the workplace. The emergence of what has previously been referred to as industrial relations or labour relations will be described from the colonial period onwards.

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<sup>3</sup>. Huib Poot, Arie Kuyvenhoven and Jaap Jansen, *Industrialisation and Trade in Indonesia*, Gadjah Mada University Press, Yogyakarta, 1990, p. 4

<sup>4</sup>. Ibid p, 5

<sup>5</sup>. Ibid

### The Historical Background of Industrial Relations in Indonesia

The history of slavery is not restricted to ancient Europe and the European colonies in the New World but did also appear in precolonial Indonesian society. Although slavery did not exist on a large scale, it is important for an understanding of the development of labour relations. Early Javanese cities were centers of trade and/or craft. The local aristocracy, for instance, maintained large manufactures for *batik* production which employed mainly slave labourers. A similar feature of labour relations also appeared outside of towns and cities where the estates of the Javanese gentry were cultivated by serfs.<sup>6</sup>

In this context, it is necessary to mention the foundations on which the political power of the Javanese aristocracy was based. The local kingdoms were not only upheld by military force but were also legitimized by traditional obedience and loyalty rooted in mysticism and the supernatural power of the respective ruler.<sup>7</sup> Thus, besides considering the development of labour relations during the colonial period, one has to be aware of the impact of precolonial cultural values in Indonesia as political instruments for the upholding of "harmony", obedience, and loyalty and the integration of society.

During the period of the Dutch East India Company, Indonesian cities experienced a large expansion of slavery. After the foundation of Batavia (1619), for example, there was a great need of cheap labour for the construction of a fortress. For this purpose, a large number of slaves was imported from Indonesian islands outside of Java. Slavery continued to grow in importance under the company's rule. In the later VOC period, more than half of the population in Batavia consisted of

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<sup>6</sup> W.F Wertheim, *Indonesian Society in Transition, A Study of Social Change*, W. van Hoeve LTD, The Hague and Bandung, 1959, p.238

<sup>7</sup> The story of the Southern Javanese ocean queen Nyi Loro Kidul used to be a widespread myth among the Javanese, especially among those living close to Mataram palace. The particular relationship claimed by the Sultan of Mataram with Nyi Loro Kidul helped to strengthen the legitimacy of the political system. Kleden, who analyzed the authority of Sultan Hamengku Buwono IX among the Javanese, pointed out that the prominent contact between the Sultan and the mystical Queen provided the former with both royal charisma and mystical power. Ignas Kleden, *The Changing Political Leadership of Java: The Significance of Sultan Hamengku Buwono IX*, in Arief Budiman (ed), *State and Civil Society in Indonesia*, Centre of Southeast Asian Studies, Monash University, Aristoc Pty LTD, Australia, 1990, p.357



slaves. At that time, the outstanding feature of urban life in Indonesia was slavery. Later on, the artisans and part of the slaves acquired a status as ordinary labourers independent of both the Javanese aristocracy and the Dutch company. They were allowed to receive wages for their trades and crafts.<sup>8</sup>

The character of Dutch colonial capitalism was quite different from the one practiced by the British in their colonies. This becomes evident from a comparison of the Dutch East Indies with British India. Dutch colonial rule in Indonesia assumed the form of extract capitalism characterized by a Dutch monopoly of foreign trade and an attempt to increase the production of tropical plantations in accordance with conditions in the world market. This stands in contrast to the development of British colonial capitalism in India. Between 1860 and 1914, i.e. during the "heyday of imperialism", "India was very important to Britain as a place of investment, and a key trading partner, not only in a bilateral sense but locked into a wider pattern of multilateral trading settlements that benefitted the British metropolitan economy". In other words, raw materials exported from India were manufactured by factories in Britain. The finished products were re-exported to British colonial territories.<sup>9</sup>

The Dutch colonialists paid little attention to the development of manufacturing industries in Indonesia. Although textile industries had developed in towns of West Java (especially Majalaya) before the 1830s, most large-scale textile manufacturing for the market had vanished by the beginning of the 20th century.<sup>10</sup> The prominent attention paid by the Dutch to the exploitation of the land for the development of commercial plantations was accompanied by the

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<sup>8</sup>. W.F. Wertheim, *Op cit.*, p. 239.

<sup>9</sup>. G. Johnson, *Problems of Comparison: Colonial India and Indonesia in the Nineteenth Century*, in essays by Mushirul Hasan et al., India and Indonesia, from the 1830s to 1914: the Heyday of Colonial Rule, E.J. Brill, Leiden/New York, 1987, pp.84-85. See also Heiko Schrader, *Professional Moneylenders and the Emergence of Capitalism in India and Indonesia*, Southeast Asia Program, working paper no. 176, Bielefeld 1992, p. 28.

<sup>10</sup>. Hans Antlöv and Thommy Svensson, *From Rural Home Weavers to Factory Labour: The Industrialization of Textile Manufacturing in Majalaya*, in Paul Alexander, Peter Boomgaard and Ben White (ed), *In the Shadow of Agricultural*, Royal Tropical Institute, Amsterdam, 1991, p. 113

exploitation of labour in rural areas. Dutch rule in Java relied on institutions of local feudalism for the extraction of tropical products.

The contract between the Dutch colonial rulers and the native regents or princes continued the system of serfdom. The agrarian population delivered the crops to the regents in accordance with traditional principles of obligation and servitude. The Dutch regime later modified its policy of indirect rule in Indonesia in order to control a wider territory. The local regents did no longer deliver their crops directly to the Dutch but to the suzerain of Mataram Empire. The ruler of Mataram then handed the produce over to the Dutch. The burden on the peasantry thus increased, especially after the introduction of new commercial crops such as coffee which the rural population was forced to cultivate. Although the Dutch intended to pay the peasants for their work, most of the payment seemed to have ended up in the pockets of Javanese regents and Chinese middlemen.<sup>11</sup>

During the interval of British rule in Indonesia, Raffles introduced a land rent system and promoted the freedom of labourers. It was an effect of Raffles' rule, for example, that the regent of Sumenep (a town on the island of Madura) liberated fifty slaves under his authority. By the 1830s, many house slaves had been released by their owners. During the 19th century, slavery in urban areas was largely replaced by paid labour. In the harbour of Surabaya, for instance, paid labour was introduced in 1849. In the ensuing time, all government buildings were constructed with paid labour.<sup>12</sup>

Although compulsory services were more or less abolished in urban areas, this did not mean that servitude had lost its importance in the colonial system. After the interval of British rule, the Dutch continued the intensive exploitation of extract capitalism. The major focus on plantation commodities led to an increased demand for labour provided by Javanese farmers who were forced to conduct unpaid compulsory services under the traditional feudal system. During Daendels' rule, servitude was far more forceful than during the previous period. Daendels constructed the east-west road across Java

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<sup>11</sup>. W.F. Wertheim, *Op cit*, p. 240

<sup>12</sup>. W.F. Wertheim, *Ibid*, p. 242-243

for military purposes. Since this defence system required a large amount of funds and a large number of labourers, he granted private estates the right to use cheap serf labour for cultivation.<sup>13</sup>

The abolition of the servitude system had little impact on the daily life of the Javanese people, they continued to be oppressed by their traditional feudal rulers. The primary interest of the Dutch colonialists was to maximize the production of commercial crops. In this regard, the Javanese aristocracy was a convenient instrument for the Dutch.

Indirect rule was a kind of asymmetric application of traditional legitimacy in which the Javanese aristocracy, because of their status, enjoyed the obedience and loyalty of the people without having any right to use that obedience for political purposes. Traditional loyalty was totally dedicated to the colonial government, and was used for the sake of colonial political interests. The asymmetry lies in fact that, with that policy, traditional legitimacy was maintained after it had been deprived of its power. It appears to have been a peaceful domestication of traditional power in order to serve non-traditional purposes.<sup>14</sup>

Labour relations in colonial Indonesia, therefore, were mainly characterized by the instrumentalization of traditional cultural values for the legitimation of the colonially exploited authority of the Javanese aristocracy.

Servitude in Indonesia was officially abolished around 1860, although this remained largely a formal declaration with little actual consequences. In 1917, compulsory public services were also abolished and replaced by a head tax. In reality, however, compulsory services continued to exist on private estates in the immediate proximity of the capital Batavia. Legal regulations were also passed against the feudal exploitation of the Javanese gentry, although with little results. Feudal society lived on in the Javanese countryside. In urban areas, the situation was somewhat different.

While the main interest of Dutch colonial policy was to maximize the production of commercial plantations, the development of the

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<sup>13</sup>. W.F. Wertheim, *ibid*.

<sup>14</sup>. Ignas Kleden, *Op cit*, p. 350.

manufacturing sector was not totally absent. In the early twentieth century, the development of manufacturing industries in urban areas was characterized by two models of enterprise management. On the one hand, there were small manufacturing industries, e.g., for the production of batik textiles and clove cigarettes, managed by "foreign orientals" like Arabs and Chinese or by Indo-Europeans. Labour relations in these enterprises remained traditional and paternalistic; the exploitation of the work force tended to be worse than in large enterprises with European management. Minimum wages and long working hours marked this type of small-scale manufacturing industries. Large industries such as mining and transport companies, on the other hand, were usually maintained by Europeans. Working conditions were somewhat better under their management than under Asian management.<sup>15</sup>

Large enterprises usually recruited more European than Indonesian workers. Indonesians who were able to join these companies commanded good formal qualifications and mostly originated from gentry families. The European management did not wish to destroy traditional cultural values because these could be instrumentalized in various ways for organizational purposes.

The Western way of dealing with Indonesian personnel vacillated between artificial attempts to imitate the authoritarian ways of the Indonesian *priyayi* class rooted in tradition and accepted by the people without dispute, and more democratic European convictions.<sup>16</sup>

The features of European management in Indonesia reveal that the Dutch colonialists did not intend to apply pure European management methods. For purposes of colonial authority, it was more convenient to use traditional cultural values rooted in Javanese society as instruments to control workers.

The improvement of the living conditions in the urban sphere, where most people worked in the manufacturing industries, should not be understood as a result of Dutch efforts to apply European labour

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<sup>15</sup>. W.F. Wertheim, Op cit, p. 254.

<sup>16</sup>. Ibid, p.255



regulations in the Indonesian context. However, the severe criticism of Dutch colonial practices which made itself felt in the Netherlands during the later part of the nineteenth century and the emergence of a trade union movement in Java during the early twentieth century eventually forced the Dutch colonial government to improve of working and living conditions, at least, in urban areas. The labour movement, wherever it appeared, remained restricted by employers and the colonial government.

.....the employers exerted themselves to break the force of the trade union movement, and even succeeded in acquiring some support from the government. For example, a Dactyloscopical Bureau was founded which enabled employers to fingerprint all labourers considered troublesome with the intention of excluding them from employment with any enterprise.<sup>17</sup>

Although there was considerable control and pressure, the development of a trade union movement in urban areas could not be prevented.

The first labour organization in Indonesia (established in 1897) was constituted by Europeans and had an exclusively European membership. The emergence of this organization was inspired by the labour movement in the Netherlands at this time rather than by poor working conditions among European workers in Indonesia. The first labour organization with the name of N.I.O.G (*Ned. Ind. Onderw. Genootsch.*) comprised as members teachers at public schools. In 1907, the emergence of N.I.O.G. was followed by an organization of European employees of private estates. The factors that influenced the formation of labour organizations in India (1890) and the Philipines (1902) were quite different from the ones in Indonesia. In India and the Philippines labour protest was a consequence of poor working conditions of the indigenous population, while this was not the case for the organizations of Europeans in Indonesia.<sup>18</sup>

The indigenous people (*pribumi*) of Indonesia, who occupied the lowest position in the colonial hierarchy, were not allowed to become

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<sup>17</sup>. Ibid, p. 250

<sup>18</sup>. Sandra, *Sedjarah Pergerakan Buruh Indonesia*, Pustaka Rakyat, Djakarta, 1961, pp. 7-16

members of the organizations established by Europeans. In 1908, the first labour organization in Indonesia with a mixed European and Indonesian membership was founded. The organization, called V.S.T.P. (*Vereeniging van Spoor- en Tramweg Personeel*), was led by the Javanese Semaun. Not before 1917 did the native employees in the manufacturing sector become aware of their exploitative working conditions and form an organization. The establishment of labour organizations in the manufacturing sector was preceded by the organizations of workers in private estates.<sup>19</sup>

Since indigenous people in the beginning had no chance to become members of labour organizations established by Europeans, the emergence of worker organizations in Indonesia can not be separated from the anti-colonial movement. The formation of political organizations such as Sarekat Islam, whose local branch in Semarang, Central Java, was chaired by Semaun (the leader of V.S.T.P.), strongly influenced the formation of worker organizations.<sup>20</sup> Later on, most labour organizations entered into a close alliance with the Indonesian Communist Party, a development which continued into the independence period.

Under Sukarno's Old Order government (1945-65), which followed Indonesia's independence, working conditions were hardly better than during the previous period. Economic stagnation and a high rate of inflation were the outstanding features of the Indonesian economy during the 1950s and early 1960s. During this period, Sukarno emphasized the anti-colonial and anti-capitalist struggle in his confrontation with the United States and Western Europe. Political issues were perceived as more important than the threat of a worsening economic situation. The working conditions in many small-scale and medium manufacturing industries such as clove cigarette and textile factories were very poor. The wages of the clove cigarette factories in Kudus regency, Central Java, for example, declined during the 1950s. Wage standards before the war of independence (1945) were

<sup>19</sup>. Ibid. See also John Ingleson, *Worker Consciousness and Labour Unions in Colonial Java*, Pacific Affairs, vol. 54, no. 3, 1981, pp. 485-486

<sup>20</sup>. Soe Hok Gie, *Dibawah Lentera Merah*, Riwayat Sarekat Islam Semarang 1917-1920, Frantz Fanon Foundation, Jakarta, 1990, p. 5

comparatively higher than in the period between 1950 and 1955 and in the last year of the Old Order (1964).<sup>21</sup>

Although industrial labour was characterized by poor conditions, labour unrest in small-scale and medium manufacturing industries was the exception. Labour conflicts were concentrated in large factories owned by foreign industrialists, despite the fact that the wages paid by these enterprises were higher than in smaller companies. The years between 1945 and 1965 were the heyday of trade unionism in Indonesia. By their activities, trade unions were able to counter abuses of the labour code such as long working hours, employment of children, etc. Trade unions had their greatest impact in large firms and, especially, in foreign enterprises. Generally speaking, one can say that union activities were more directed towards political objectives than towards actual industrial relations.<sup>22</sup>

The development of Indonesian trade unions during the colonial period was encouraged by political parties. The first trade union established after independence, the Indonesian Worker's Front (*Barisan Buruh Indonesia/BBI*), was divided over such questions as whether it should formally affiliate itself with a political party or not and whether emphasis should be given to the development of "vertical" or "horizontal" unions.<sup>23</sup> During its early years, the Sukarno

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<sup>21</sup>. Lance Castles, *Religion, Politics and Economic Behaviour in Java: The Kudus Cigar Industry*, Indonesian edition, PT Grafitas, Jakarta, 1982, p. 125

<sup>22</sup>. Chris Manning, *Structural Change and Industrial Relations During the Suharto Period: An Approaching Crisis?*, Bulletin of Indonesian Economic Studies, vol 29 no. 2, August 1993, p. 64

<sup>23</sup>. "'Vertical' unions were ones based on a single industry (e.g. oil, plantations), in which all workers belonged to the same union no matter which specific functions in the industry they performed. 'Horizontal' unions were craft unions, ones in which all workers in the same trade (e.g. all carpenters, all waterside labourers, all clerks) belonged to the same union, its memberships thus cutting across firm and enterprise boundaries". The supporter of the horizontal union idea were the radical politicians of the Indonesian Communist Party (PKI). BBI eventually was renamed into Federation of Indonesian Trade Unions (*Gabungan Serikat Buruh Indonesia/GASBI*) and turned into a horizontal union. In July 1946, this federation split and one group formed the Federation of Vertical Trade Unions (*Gabungan Serikat Buruh Vertikal/GSBV*). On November 29, 1946, GASBI and GSBV re-united to form the All-Indonesian Central Worker's Association (*Sentral Organisasi Buruh Seluruh Indonesia/SOBSI*). In the long run, SOBSI came under the dominant control of the PKI. See, Colin Brown, *The Politics of Trade Union Formation in the Java Sugar Industry, 1945-1949*, Modern Asian Studies, vol 28, Part 1, February 1994. See also Iskandar Tedjakusuma, *The Political Character of The Indonesian Trade Union Movement*, Cornell University, Ithaca, New York, 1958

government supported the activities of trade unions and took a pro-labour stance. This can be seen from the passing of labour protection regulations and the guaranteed right to organize. In later years, Sukarno became less interested in trade unions, although the government continued to propagate an anti-capitalist ideology.<sup>24</sup>

Union activities played an important role in the campaign for a nationalization of foreign enterprises and their take-over by Indonesian management. In 1957, groups of the military assumed control of nationalized foreign enterprises. In their later struggle, Indonesian trade unions often confronted managers who belonged to the military.<sup>25</sup> During the 1960s, trade unions in Indonesia faced ideological problems. The main question was the one of political orientation and the affiliation to particular interest groups. This conflict expressed itself in the question of language, such as whether to use the term *buruh* or the term *karyawan* which both generally meant worker.

Groups inside the trade unions which used the term *buruh* were supported by members of the Indonesian Communist Party. *Buruh*, a word from spoken peasant Javanese, was identified with the concept of proletariat which points to a conflictual relationship between employer and workers, thereby stressing the idea of class struggle. The term *karyawan*, in contrast, was used by groups which had no relationship to the PKI and were supported by the military. The word *karyawan* denotes unity between employers, management, and workers. The relationship between management and workers remains cooperative and free of conflicts. *Karyawan* is a sanskrit word largely restricted to intellectual usage.<sup>26</sup>

Symbolic systems like language are used by social groups to achieve their own purposes. Elites employ words such as *buruh* and

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<sup>24</sup>. Chris Manning, Op cit, p. 63

<sup>25</sup>. Chris Manning, ibid.

<sup>26</sup>. Jacques Leclerc, An Ideological Problem of Indonesian Trade Unionism in the Sixties: "Karyawan" versus "Buruh", Review of Indonesian and Malayan Affairs (RIMA), vol 6, no 1, Jan-Juni 1978. pp.76-91



*karyawan* as a basis to construct an ideology of industrial relations. Symbols are used as instrument in order to control workers. For the PKI, on the one hand, workers were the main political basis necessary to counter the development of capitalism. Groups which were supportive of the development of capitalism, on the other hand, constructed the ideology of trade unionism in a way that prevented the emergence of conflictual relations in the industrial sphere.

After 1965, the New Order government under Suharto banned the Communist Party and all organizations under its influence. The severe economic crisis during the last years of Sukarno's rule caused the New Order to effect fundamental changes in Indonesia's political and economic life. Political stability was identified as essential precondition for economic growth and development. A rapid expansion of the private sector within trade and industry, together with large-scale foreign investment, are considered as cornerstones of economic development. The liberalization of the economic sphere was accompanied by a tightening of control in political life.

The important role of the military in the forcible maintenance of political stability is the main reason for the weakness of the trade union movement after the elimination of SOBSI (outlawed as a "front organization" of PKI). After 1965, all trade unions in Indonesia were forced to join a government-controlled umbrella organization under the name of All-Indonesian Workers' Federation (*Federasi Buruh Seluruh Indonesia/FBSI*). The words *federasi* and *buruh*, according to the Minister of Manpower Sudomo, were not in accordance with Indonesian industrial relations but referred to a situation in liberal democracies. Thus, in 1985 the organization was finally renamed into All-Indonesian Union of Employees (*Serikat Pekerja Seluruh Indonesia/SPSI*) and became the only union recognized by the Indonesian government. The ideology of trade unionism was reconstructed in a way as to reject conflictual relations between workers and management and to emphasize the cooperation between all groups on the basis of "brotherhood". Industrial relations, as all spheres of life, were connected to the *state ideology of Pancasila* in order to uphold the principles of harmony, consensus, mutual assistance, and family cohesion.

Although economic growth has been considerable during the New Order, the working conditions in the manufacturing sector are not much different from the previous period. Labour relations in many enterprises are characterized by wages below the standard of minimum wages, the violation of labour regulations by the management (health insurance, etc.), and an increasing frequency of labour unrest in the 1980s. Manning (1993) concludes that the increase of labour unrest in Indonesia is less determined by the level of wages than by three other factors such as macro-economic development, inefficient mechanisms for labour disputes, and the position of SPSI under tight government control.

Macro-economic problems leading to labour unrest include the "unsuccessful" devaluation policy of 1978 which increased production costs for many companies and resulted in the large-scale dismissal of workers. Both government and trade union turned out to be unable to prevent these dismissals. Workers have no confidence into the Regional and Central Government Dispute Committees (*P4D and P4P*) because their dispute mechanisms are inefficient. Many companies with close relations to the military or influential politicians were able to resist the resolution of disputes by these committees. The government-controlled SPSI can in no way contribute to the effective development and support of firm-level union activities.<sup>27</sup>

The historical development of labour relations in Indonesia has to be seen on the background of a general tendency in Indonesian social development, i.e., the instrumentalization of traditional cultural values for the legitimization of authority and the control of the population. The value of supernatural power was used to create obedience and loyalty among the people. The Dutch colonial government did not eliminate the traditional local culture because it could serve important functions in the system of extract capitalism by providing legitimacy and authority to the exploitative rule of the Javanese aristocracy. The alternative use of the words *karyawan* and *buruh* intends to legitimize the positions of different interest groups. The ideology of "harmony" in industrial relations is nothing more than

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<sup>27</sup>. Chris Manning, *Op cit*, p. 72

an instrument to control the activities of workers. Based on the particular theoretical approach of this work and the historical background of labour relations in Indonesia, it is necessary to propound the following questions: 1. To what extent do cultural values such as harmony, mutual assistance, and family cohesion effect the organization of an industrial enterprise and in what ways are these values understood by employers, management, and workers ? The impact of different interpretations of traditional cultural values will be analyzed with regard to the recruitment process and the management of working conditions. 2. Does the implementation of "harmony" as ideology of industrial relations lead to the elimination of conflicts in the factory ? 3. What is the significance of traditional cultural values for the everyday life of workers ? 4. To what extent does workers' understanding of traditional cultural values in labour relations affect their performance at the workplace ? Answers to these questions will be proposed in the different chapters of this study.

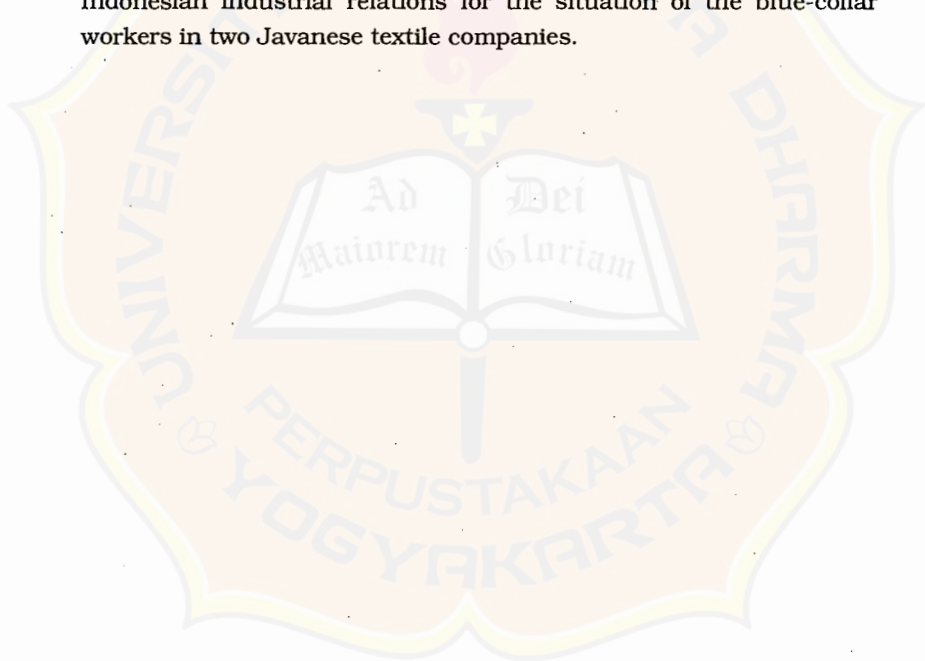
## Summary

The historical development of Indonesian labour relations from pre-colonial times to the present has been characterized by the promulgation and institutionalization of traditional cultural values on behalf of the ruler's interests.

The emergence of capitalism during the colonial period did hardly affect the cultural order of feudal Javanese society. The system of extract capitalism promoted by the Dutch colonial government used the Javanese aristocracy as an instrument to exploit peasant labour for the cultivation of export cash crops. The obedience and loyalty of the Javanese peasantry manifested itself in the carrying out of compulsory services with little resistance and protest. During the "Old Order" government in the immediate post-independence period, the use of the terms *karyawan* and *buruh* was employed as a symbolic instrument by different social groups and organization to promote their own ideology of industrial relations, thereby controlling the activities of

the labour movement.

Under Suharto's "New Order" administration, there is only one legitimate system of industrial relations which is constituted by the state ideology of Pancasila and based on the principle of harmony. The present ideology of industrial relations denies the legitimacy of conflictual relations in the workplace and attempts to suppress conflicts whenever necessary. As a result of this ideology, the only officially accepted trade union SPSI is tightly controlled by the government with strong interference by the military. The following chapters will trace the consequences of the contemporary ideology of Indonesian industrial relations for the situation of the blue-collar workers in two Javanese textile companies.





## CHAPTER 3

## THE ORGANIZATION OF TWO TEXTILE ENTERPRISES

**Introduction**

The early industrialization era in many countries is usually characterized by a high percentage of manufacturing development in commodities such as foods, garments and textiles. These branches develop from hand technology to a new form of industrial technology which means that technological change is a prerequisite for economic expansion. The change from hand-loom weaving to machine-loom weaving in textile factories, for instance, is of great importance to economic development.

Indonesian textile factories started to grow earlier than other factories during the New Order of the Indonesian Republic. The current Indonesian textile factories have experienced many technological changes<sup>1</sup>. Looking at their performance, the following questions could be asked : What is the significance of industrial technology? Will it certainly characterize modern factories? What type of organization and authority system prevails in these textile enterprises ? To what extent does traditional behaviour such as nepotism play an important role in these enterprises ? What is the function of nepotism ?

Some observers contend that the emergence of a new technology which utilizes machines as a basis of production will lead to organizational change and a change of workers' behaviour. In recent years, technology appears to be a factor which causes socio-economic changes within broader society. This means that socio-economic change occurs not only in the context of manufacturing enterprises

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<sup>1</sup>. When I was in elementary school around 1963, my grandfather managed a textile factory in which workers operated hand-loom weaving to produce a material called *lurik*. This textile factory suddenly went bankrupt and disappeared. According to information I received, all equipment was sold because there was an economic crisis. During my research in 1992, I visited two textile factories in which workers operated machine looms. Thus, large-scale capital was required.

but is very influential in general society. To analyze this problem I will turn to Max Weber's classical sociology, although he does not deal directly with industrial technology. Nevertheless, his comments will be of significance in this chapter.

## Two Types of Textile Enterprise

It is quite complicated to classify the different types of enterprises in Indonesia. Even though this can be done on the basis of its ownership, the variation of cooperation among these owners is not simple to classify in Indonesia. In this work we will only use a rough classification, not a detailed one.

### The Taxonomy of Enterprises in Indonesia.

Capital Investment	Firm Ownership	Corporate Company <sup>2</sup>
1.Foreign Investment	1.Foreigners	
2.Domestic Investment	2.Indonesian citizen (indigeneous, Chinese,Arab, etc)	1.PT=Liability Com Ltd
3.Joint-Venture Investment	3.State	2.CV=Ltd Partnership
	4.Joint-Venture	3.FA=Partnership
	a.Foreigners-State	4.PO=Soleproprietorship
	b.Foreigners-Indonesian citizen	5.PN=State Company
		State Enterprise
		State Corporation

The taxonomy above shows many corporate company variations. A private enterprise, for example, can take PT, CV, FA, PO as forms of

<sup>2</sup>. Company is generally term of corporate company which used for characterizing of company forms such as sole proprietorship or sole corporation, partnership, Ltd Partnership and Corporation or Liability Company Ltd (Winardi :1989:116). Closed Corporation is more compatible to identify these two textile firms which had been investigated because firms have not dealed in shares in the Organized Exchange.

corporate companies with variation of capital cooperation.

Most observers who wrote about Indonesian industrialization did not specify the details on the dynamic of shareowners and their cooperation. This is an interesting matter for more intensive study. O'Melly's classification is less precise compared to Hill's. The former classifies enterprises as foreign enterprise, foreign investment, domestic investment, state enterprise and others <sup>3</sup>. Though Hill's classification is more specified than O'Melly's, the institutional problem of economic cooperation is not mentioned.

According to Thee Kian Wie, there have been cases of joint-venture enterprises which required shared foreign and domestic investment, but, in fact, their investments were under complete foreign control.

In joint-venture forms, sometimes, domestic investors have no longer of the capital investment. It is especially that they have to buy the large number of shares from foreign investors. Though they do not contribute the capital investment in industrial firms, foreign investors are ready to supply the nominal or dummy shareholding. The reward of foreign investor is that the domestic investor can exchange their services-- as mediator-- which relate to the state official. This relation could be expected for proceeding some advantages by joint-venture enterprise. It is clear that the dividend of domestic partner is essentially received as commission for this work <sup>4</sup>.

It is necessary to understand the foreign involvement in the manufacturing sector in order to get an adequate picture of the development of Indonesian industrialization. Between 1967 and 1985, the textile sector occupied 18% of all foreign investments in the Indonesian industrial sector. Though the highest level (39%) was attained between 1967 to 1977 and the proportion declined (4%)

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<sup>3</sup>. William O'Melly, *Culture and Problem of Industrialization*, in Helen Hughes (ed) *Achieving Industrialization in East-Asia*, 1988, p.484

<sup>4</sup>. Thee Kian Wie, *Industrialisasi Indonesia, Analisis dan Catatan Kritis*, Pustaka Sinar Harapan, Jakarta, 1988, p.112.

between 1978 and 1985<sup>5</sup>, the decrease did not lead to a reduction of foreign investment during the second stage of industrialization era in the development planning of Indonesia as long as their the safety of investment will be guaranteed.

Macro studies on industrialization in Indonesia do not explain the dynamic at the firm level; that is, the relevant factors of owners' behaviour in their economic cooperation. These are very important in understanding the firm organization because the ethnic characteristics and the cooperative institutions as they exist within the private sector will have a great influence on how the firms manage labour. The phenomena mentioned above show the relevance of joint domestic investment and the dynamic<sup>6</sup> of interethnic relationships.

It is not easy to characterize the enterprise structure in Indonesia as pictured by Whitley which refers to East Asian countries such as Japan, Korea, Taiwan and Hong-Kong because the behaviour of entrepreneurs is affected by cultural differences. According to him, the dominant enterprise structure is influenced by the significance of the nation state and the culture which determines its peculiar form. Comparative analysis between large Japanese enterprises, Korean *Chaebol*, Chinese family businesses has to be developed within their respective societal context.

The nation state is especially important in East Asia because of the relatively high levels of cultural homogeneity in Japan, Korea and China, including overseas Chinese. Dominant institutions of the nation state, then, are crucial influences on the kinds of entrepreneurs and managers who gain control over economic resources and the practices and procedures they develop for dealing with business problems. They also structure the sorts of managerial practices that are effective in contrasting situations, especially where cultural homogeneity is high<sup>6</sup>.

The differences between the owners of enterprises, ethnic groups,

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<sup>5</sup>. From 1967-1985 the shares were for basic metal (40%), textile (18%), chemical (14%), non-metallic mineral (13%), metal goods (9%), food (4%), wood (1%), paper (1%). source : Indonesian Bank quoted by Hal Hill, *Foreign Investment and Industrialization in Indonesia*, Singapore, Oxford University, 1988., page 83.

<sup>6</sup>. Whitley D. Richard, *Op cit* , p. 49



and the cooperations among them reflect the cultural heterogeneity in Indonesia. Though nation-building began before the political independence of the Indonesian Republic, cultural homogeneity and the nation-state are still considered problematic issues. Through the taxonomy mentioned above, I intend to show the different ethnic and cultural groups who own enterprises in Indonesia. Thus, their structure requires a careful study. Comparative study of this enterprise structure will be an interesting research agenda in order to understand from a sociological perspective the social-economic cooperation among owners.

I will not follow Whitley's description which refers to three forms of large business organizations in Eastern Asia but point out the peculiar form of Indonesian business organization in this chapter. I intend to compare it with the characteristic features of the Chinese family business and the characteristics of Chinese ownership in my study because the control of firm organization is in Chinese hands.

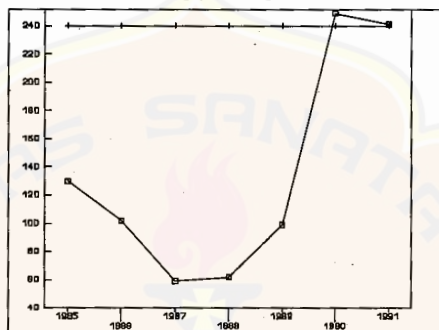
PT."J" Tex and PT."H" Tex have a very similar historical background. PT."J" Tex started to produce in the 1970s and its shareowners belonged to different ethnic groups. There is no exact data on the amount of shares owned by each ethnic group. With regard to shareowner composition, 75% of the shares were possessed by Javanese and one of them was a family member of the Yogyakarta sultanate. The other part of shares (25%) is owned by Chinese-Indonesians. Evers and Schiel have discussed the historical linkage between empire and trade in Indonesia (see *Strategische Gruppen*). At present, the role of the royal families in business-- officially there is no longer an aristocracy in Indonesia-- has not completely vanished, and the same phenomenon can be seen among the relatives of bureaucrats.

The economic recession in 1974-1976 destroyed the market of PT."J" Tex. Its production decreased and finally the shareowners agreed to sell the firm as a "going concern"<sup>7</sup>.

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<sup>7</sup>. PT. INDUBUSKO, *Studi Kelayakan Proyek dan Perluasan PT. "J"* 1989, p.1

**Figur 1. Product Fluctuation of PT."J" Tex  
(by ton of raw material)  
1985-1991**



Source: P&C PT."J" Tex 1992

The new sharing composition at PT."J" Tex is now turned into its opposite. Formerly--at the time of the old management-- the Javanese owned 75% of the shares, but now the Chinese own 90% of it. In former times, members of the royal family were still involved, but at present the bureaucrats occupy their position. One of them is the younger brother of the Minister of Information of the Fifth Development Cabinet, though his share is no more than 10%.

**Table 2.1 Ethnic Groups and Share Composition of  
PT."J" Tex in the New Management**

A Share number of Ethnic Geoup	600 of Priority Share	200 of Common Share
Chenese	90%	99%
Javanese	10%	1%
	100%	100%

Source : Feasibility Study of PT."J" Tex 1989 carried out PT.INDOBUSCO.

Two different ethnic groups also possess the shares of PT."HS" Tex. There is cooperation between the Chinese and Javanese in PT."J" Tex, while in "H" Tex there is cooperation between the Chinese and the Batak ethnic group. I have no detailed information on the former management's failure which consisted of these two ethnic groups. At present the firm has been hired by Chinese since 1986. There might be a similarity of failure between the former management at PT."H" Tex and that of PT."J" Tex. Both firm organizations were unable to expand their marketing and there always existed the possibility of conflict among the shareowner.

Institutional studies which deal with ethnic variation of ownership - whether in the form of cooperation, independent enterprises or others - should not easily be applied to the situation in Indonesia. The following is an except from an informal interview with a middle-level manager of PT."H" Tex who is not a capital owner :

Researcher: Why didn't the tenant directly buy the whole firm ?

And why didn't they work out a closer cooperation with state officials ?

Manager : I don't really know. Actually they intended to buy this firm. I guess that the previous shareowners do not get along with each other. Some of the original ones have died and are represented by their descendants. One of them owns a textile factory in Yogyakarta.

The above information can be interpreted as different alternatives of action. On the one hand, the firms cooperate with state officials in their effort to accumulate capital, on the other hand, they choose to work by themselves. A more profound institutional study-- though it is not easy to conduct-- will give a picture of entrepreneurs' work ethos in Indonesia.

## **Organization and Technology**

Weber's interest in the modern factory is not directed to the existence of production machines. He argues that a modern factory is not created by machines, but is defined as the discipline of labourers

within the shop which combined with technical specialization and coordination and the application of non human source of power <sup>8</sup>. In other words, the factory is a form of social-economic organization that maximizes the control of all factors of production in the hands of employers or managements and allows them to make their rational calculation possible.

The importance of non-human sources lies not in its capability to advance productivity per se, but this can be more amenable to entrepreneurial control in private enterprises. Employers can make a more rational calculation or establish lower prices, and then their calculation will-- although they keep their enterprises also running to in bad times-- allow them to compete with other small or household industries. The factory-type organization thus will be able to produce more cheaply than traditional ones.

If there was a deliberate search for machineries as capitalism took off, it was because machines improved the workers' discipline and work specialization in the factory <sup>9</sup>. It is clear that machines make systematic calculation, specialization, and discipline possible, and thus produces the bases for capital expansion. The prevalence of machinery does not necessarily indicate the existence of a modern factory. The modernity of a factory depends on the rationality of firm organization as a whole. Weber's argument concerning this point runs as follows: the prerequisite of industrial manufacturing is the mass demand of its products; and if the demand does not take place constantly, these machines are of little use or ineffective <sup>10</sup>.

From this statement one can conclude that the form of social-economic organization determines what kind of machines are needed for particularly beneficial products and how labour should be managed by firms, etc. In our view, the form of this organization will determine the structural performance of an enterprise, while the

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<sup>8</sup>. Max weber, *General Economic History*, Transaction Books, New Brunswick (USA) and London (UK), 1981, pp. 162-169

<sup>9</sup>. Rendal Collin, *Weberian Sociological Theory*, Cambridge University Press, 1986, p. 77

<sup>10</sup>. Ibid.



development of technology is only an equipment to make rational calculation possible.

Compared to the 1960s, present Indonesian textile manufacturing has changed much because of the increasing application of machines during the production process. Two textile enterprises which I observed in Yogyakarta are PT."J" Tex and PT."H" Tex, both are classified as large industrial firms according to Indonesian standards. PT. "J" Tex is a manufacturing enterprise which applies knitting technology with the use of more than 40 machines for warping, knitting, dyeing, finishing, inspecting and other purposes. The PT."H" Tex uses weaving technology which comprise about 300 machines for warping, weaving, sizing, bobbining and inspecting. These machines only produce grey weaves fabrics.

Although PT."J" tex utilizes fewer machines compared to PT."H" Tex for its process of production, the former are more modern and have a higher capability of producing knit fabrics and creating various articles of fabrics. However, both do not show much difference with regard to their effectiveness in machine use. PT."J" Tex's knitting machines, for example, are only used about 75-79% at working time from January until March 1992 and the variation of fabric articles never reaches its potential maximum. PT."H" Tex had the same experience with their filling bobbin machines which only achieved about 60% usage because many parts of those machines such as the bobbin roll were not functioning. Their warping machines were also not used efficiently during the above-mentioned three months. There were at least 625 hours of non-function.

According to the management of PT."J" Tex, the ineffectivity in the application of machines was caused by difficulties in obtaining Polyester yarn as raw material.

Our problem is yarn. It is difficult to obtain yarn because the material we use is not cotton. There is only one Polyester yarn firm in Indonesia which distributes its products to those textile enterprises who need it. Besides catering to textile factories in Indonesia, it also exports its products to Japan. In fact, it is Japanese-owned.

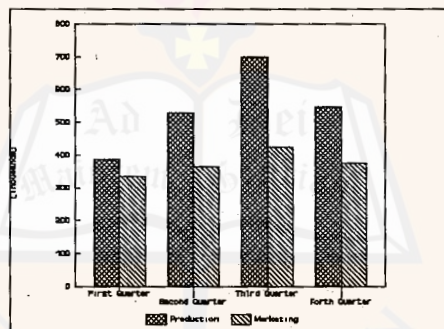
Although the explanation of the manager focused on the problem of

yarn, one of the workers told me <sup>11</sup> that there was increasing effectivity in the use of machines in September 1992.

When you visited the firm several months ago, we only operated 17 out of the whole 27 machines, and now the number has increased to 25 of it, although not many articles of fabric are processed.

The above statement implies that yarns were no longer such a prominent matter in the process of production because the utilization of machines could be increased. Ineffective performance of machines in this enterprise can be illustrated by the following data:

**Figur 2. Comparison between Production and Marketing of PT."J" Tex in 1991 (per quarter).**



Source: Administrative of PT."J" Tex

Production increased from the first to the third quarter, then it declined in the fourth quarter of 1991. At the same time, market expansion was not in accordance with the development of production. It is clear that the disability of firm organization to accelerate market

<sup>11</sup>. When I visited one of the workers in his home villlage, I was no longer in contact with this enterprise. The President Director of PT "J" Tex had limited the number of my visits to his firm.

expansion is the major problem of a firm as economic actor <sup>12</sup> which cannot achieve the efficient utilization of machines. Changes in production, in my view, can not only be interpreted as response to a firm's demand for economic expansion but, in turn, economic expansion will also determine the functioning of a firms' organization - at least in the long run. Furthermore, other possible sources of ineffectiveness are the lack of workers' technical knowledge and the age of the machinery. The above figure does not contain information about these phenomén. They will be discussed in the next chapter. Market expansion is a matter of firm organization that is related to the problem of how firms manage their labour.

### **Ethnic Groups, Executive Boards, and the Distribution of Authority.**

Formal organizations are studied by a variety of disciplines such as sociology, economics, political science, psychology, etc. Whenever sociologists examine formal organizations in order to understand the structure of authority, they will refer to studies on bureaucracy. Weber's classical work has become an important point of reference, though--in recent times-- it is not only quoted in a supportive way by many scientists, but also frequently criticized.

Weber's attention to bureaucracy is a part of his broader interest in authority or legitimate control structure. He contends that its essential elements are the division of labour and a distinct specialization, hierarchial authority, formal rules and regulations, impersonal orientation of officials and the application of the career principle for official employees <sup>13</sup>.

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<sup>12</sup>. Firms, by Whitley's definition, function as economic actors by authoritatively directing and organizing economic activities in the pursuit of their controllers' goals. Authority relations provide the basis for continued and systematic coordination of activities, and so the integrated transformation of resources into productive service. It exercises considerable discretion over the acquisition, use and disposition of human and material resources. Whitley D. Richard, *Eastern Asian Enterprise Structures and The Comparative Analysis of Form of Business Organization*. Organization Studies 1990, 11/1 : 047-074, C 1990 EGOS, 0170-8406/90, p. 51

<sup>13</sup>. William A. Faunce (ed), *Reading in Industrial Sociology*, Prentice-Hall, Inc, Englewood Cliffs, New Jersey, 1967, p.130

After sociologists examined Weber's concept of bureaucracy at the empirical level, they found little suitable evidence, either in bureaucratic authority or management for his theories<sup>14</sup>. Moore discusses some dysfunctions of bureaucracy including overconformation to rules and regulations, resistance to change, and information bottleneck. He stresses the importance of informal or "noncharted" social relationships<sup>15</sup>. Dalton's criticism of Weber's work points out his lack of attention to social matters created by the bureaucracy itself and his insufficient attention to informal interaction. DiMaggio and Powell explain that structural change in organizations seems less and less driven by competition or by the need for efficiency. Bureaucratization and other forms of organizational change occur as the result of processes that make organizations more similar without necessarily making them more efficient<sup>16</sup>. Marcson sees the appearance of conflict within bureaucracies between executive authority and professional or "colleagual" authority<sup>17</sup>. Evers and Schiel describe bureaucratic authority as an arena of action for strategic groups<sup>18</sup>.

Weber's concept of bureaucracy is indeed an ideal type. When we try to apply it at the empirical level, we will discover its problems and biases. Sociologists should not use an "ideal type model" as a theory to explain social phenomena, but they should understand the process of how an ideal type is constructed. This is essential, not how to use an

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<sup>14</sup>. The typic of authority that exists in political government and the civil service is "bureaucratic authority". In private economic enterprises we find "bureaucratic management".

<sup>15</sup>. Willbert E Moore, *On the Nature of Industrial Bureaucracy*, in William A. Faunce (ed) *Reading in Industrial Sociology* 1967, p. 137-145

<sup>16</sup>. Paul J Di Maggio and Powell Walter W, *The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields*, *American Sociological Review*, 1983, p. 147

<sup>17</sup>. Simon Marcson, *Organization and Authority in Industrial Research*, in William A. Faunce (ed) " *Reading in Industrial Sociology*" 1967, pp. 183-195

<sup>18</sup>. Hans-Dieter Evers and Tilman Schiel, *Strategische Gruppen, Vergleichende Studien zu Staat, Bürokratie und Klassenbildung in Dritten Welt*, Deitrich Reimer Verlag, Berlin, 1988, 231.



ideal type as a theory. An ideal type basically originates from empirical reality and is condensed to an abstracter model. This study does not intend to construct an ideal type model, but to understand the authority structure within organizations. This empirical understanding seems to be more useful than the development of another theoretical model.

Those two corporate companies both have the form of a Liability Company Ltd (PT.), but their organization of production is very different. The shareowners of PT."J" Tex play an important role within the organization, while the daily control of PT."HS" Tex is within the hands of a tenant who represents sole proprietorship. I will discuss the dynamic of interethnic relationships and the relations between the Executive Board and their authority management through the composition of shareowners.

Having noticed the type of authority that exists in both textile enterprises, I turn to the relationship between the executive board and the shareowners. The new management structure of PT."J" Tex starting from September 4, 1989 after its turnover is as follows:

- a. The Board of Management consists of the President Director, The Finance Director, The Managing Production Director.
- b. The Board of Director, consist of the *Komisaris Utama* and *Komisaris* <sup>19</sup>.

The plenary session of shareowners appoints the executive board in the form of notary public. Though the members of the board of directors are chosen by the plenary session of shareowners, this posts are not occupied by persons who stand outside of the shareowners. In other words, shareowners elect themselves as *komisaris* in the board of director.

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<sup>19</sup>. In the ninth paragraph of PT."J" Tex's statutes it is clarified that the firm is managed by a board of management which consists of at least two directing members. The first is the president director and the other one is the director. Members of the board of management are controlled by at least one *Komisaris*. If the *Komisaris* consists of more than a person, there will be a *Komisaris Utama* and other *Komisaris*. *Komisaris* members (who make up the board of director), together or alone, have a right to control all the activities which are conducted by the board of management (the paragraph number 11). Both are--the board of management and the board of director--appointed by the plenary session of shareowners and receive a salary the size of which is decided upon by this plenary session.

A close relative of the Javanese who owns the smallest portion of shares in this PT."J" Tex occupies the position of President Director. Both of them --the President Director and the Javanese shareowner--- are brothers of the Minister of Information of The Fifth Development Cabinet. Judging from his curriculum vitae, the President Director received a highschool degree and his profession was, before he became President Director in this firm, trader or businessman. According to workers' information, he is also a civil servant in the health department at the provincial level. The post of Finance Director is occupied by one of the shareowners who owns 18.5% of the shares, i.e., he is at least the third largest of all shareowners, while the Managing Production Director only possesses 10% of the shares. The biggest shareowner of the firm does not occupy an operational position, but he occupies the post of *Komisaris Utama*. This can be explained by his daily duties as director of a another textile enterprise in the Surakarta regency.

The board of management's ethnic composition is made up by a Javanese as President Director and a Chinese as Finance and Production Management Director. One and a half months after I had started to study the company, the duties of the Production Director were taken over by the Finance Director because the former official had left his work without clear reasons. There was, however, according to information from workers, a certain disharmony between the latter and the Finance Director. Positions in the board of management are almost exclusively occupied by shareowners except for the post of the President Director. It is relatively rare for Javanese -- without the strong pressure from influential shareowners-- to become members of the top management. This phenomenon can be understood by looking at the form of cooperation between Javanese and Chinese or between state officials and Chinese.

The authority structure can be clearly seen in the Executive Board. Does the President Director as a Top Executive play the role of a policy-maker who manages the entire firm? The President Director is more concerned with personal relationships to the state bureaucracy. He is active in Indonesian election campaigns on behalf of the official party of Golkar. What attracted my attention was the

powerlessness of the President Director with regard to the irritation of the Finance Director when the latter heard about the permission for my study.

Having welcomed me in his office, the President Director called his staff-- the heads of the knitting, planning & controlling, and administrative divisions, a Union representative, and one of the employees -- and ordered them help me in any ways possible. They were all told that I was completely free to organize my study, except for the monetary affairs. After my study had been going on for several weeks, according to information from one of the employees who often assisted me, the Finance Director expressed his anger about all the people who worked together with me, including the President Director. He became angry after he had realized that I made notes on the development of their daily products which I had intended to use as an indicator to check the worker's productivity. As a result of the Finance Director's indignation, the President Director changed his decision and withdrew his support. This development is similar to what Silin (quoted by Whitley) experienced in certain Taiwanese firms:

A manager's formal status and position are much less significant as an indicator of power and responsibility than his relationship to the owner. Authority was essentially dyadic and diffuse between managers and the owner with a little delegation to intermediate levels of management or differentiation of authority between particular sections. Similarly, formal rules and procedures were less important in guiding behaviour than personal wishes and objectives<sup>20</sup>.

Although there are two textile experts, both of them university graduates in the same scientific field, who occupy posts of division heads, they have little authority because of the firm's "top-down" system of orders. One of them said :

When the previous management was still in office, I was able to implement my ability and knowledge in the textile field. I could make initiatives for the progress of the firm. It is different now. Even though I develop an idea and the directors agree it, it will often not be regarded as my idea any longer. There are only two types of persons: "outsiders" and "insiders". I am just an outsider

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<sup>20</sup>. Whitley D. Richard, *Op cit*, p.60.

or a factor of production.

Authority is not based on administrative hierarchy but on the shareowner's responsibility who occupies the post of Finance Director. The firm's management shows no differences to that of a sole proprietorship or family enterprise though its legal status is a Liability Company Ltd. The placement of a Javanese as President Director could be interpreted as a means of communication with the state in order to facilitate the work of the firm. This type of management does not only exist in Indonesia but also in some industrial countries. Japan, for example, places her highly retired level bureaucrats in managerial key-positions of the private sector in order to facilitate good cooperation between the state and private enterprise <sup>21</sup>. There is a strong similarity, if not to say an imitation, in the Japanese and Indonesian model of cooperation between state and private enterprise. However, in Japan considerable skill requirements are made for managerial posts, whereas in Indonesia, executive managers are often merely senior high school graduates.

The shareowners of PT."H" Tex have no authority because the firm only receives rental payment. The enterprise is not different from a family business or sole proprietorship with a tenant leadership. Daily tasks are carried out by an assistant who organizes all the processes of production, supported by the production and personal division heads. A Chinese Indonesian holds the key-position as an assistant manager. The hierarchy is rather clear: because of the sole proprietorship status, the owner becomes the one and only administrator and he does not cooperate with other sides, that is, with those who possess connections with the state, such as is the case with PT."J" Tex. The assistant manager is an agricultural expert, not one for textile or business administration.

### **Shareowners, Nepotism, and Systems of Control**

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<sup>21</sup>. Ryokichi Hirono, *Japan : Model For East Asian Industrialization ?*, in Helen Hughes (ed) *Achieving Industrialization in East Asia*, Cambridge University Press, 1988, p.249



There are many different types of family or individual enterprise in the newly industrialized countries of East and Southeast Asia. Among Hong-Kong Chinese, familism is often considered as a dragging feed of industrialization. It is obvious that familism has consequences for economic behaviour. Paternalism, nepotism, and family enterprise are particularly widespread in Asia. Siu-Lun in 1978 surveyed all Cotton-Spinning in Hong-Kong. 60% out of the surveyed factories have the status of sole proprietorship or family proprietorship<sup>22</sup>. De Mente comments on Chinese traders: "Their trading system is based on petty traders' mentality where the owner makes all decisions, controls everything, collects all debts and pays all the claims. The President Director of a medium enterprise will have to work hard signing all wage cheques so that he always knows whoever works for him and how much money they earn"<sup>23</sup>.

Nearly 60% of the owners of Hong-Kong's cotton-spinneries said that they employed family workers. Another research finding shows that 47% of factory owners employ family workers and that nepotism exists in almost half of the Chinese firms in Hong-Kong. This is the same what Menkhoff found in Singapore among his sample of 23 trading enterprises. He adds that their executive leaders are dominant members of the family's "inner circle"<sup>24</sup>.

Chinese entrepreneurs assume that the harmful effects of the involvement of relatives in the firm on its economic performance is very low. Therefore, industrialists among Hong-Kong Chinese are very careful to place only those family members in top positions, who have enough formal education and undergone on-the-job-training. Relatives usually tend to be more dependable and trustworthy and can be relied on to work hard with less pay<sup>25</sup>.

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<sup>22</sup>. Siu-lun Wong, *Modernization and Chinese Culture*, China Quarterly 1986, p. 351

<sup>23</sup>. Boye De Mente, *Chinese Etiquette and Ethics in Business*, translated in Indonesian edition, Bumi Aksara Jakarta 1991, p.271

<sup>24</sup>. Thomas Menkhoff, *Towards An Understanding of Chinese Entrepreneurship in South-East Asia: Small Trading Firms in Singapore*, Working Paper, no 138, Bielefeld 1990, p.17

<sup>25</sup>. Wong Siu-Lun, Loc cit.

The relationship that takes place within the industrial bureaucracy management seems to be more personal than impersonal. In my view, it is no longer relevant to ask whether this is based on traditions or a sign of modernity. Long before the emergence of the Newly Industrialized Countries, many observers said that their pattern was traditional. There are two important questions: first, is there a rationality of cultural values which have long been embedded in the firm organization and second, how far can these values motivate the firm's economic development. These questions are more important than just discussing the issues of modernity and traditions. Although East and Southeast Asian countries are characterized by a similar pattern, the latter must be observed in detail.

There are six shareowners in PT."J" Tex, three small and three big ones. The organization is characterized by the existence of two shareowner groups, each of which tries to compete with and control the other. The first group consists of Chinese shareowners and a Javanese one who is close to the bureaucracy.

Mr.L's group employs some Javanese workers, though he himself is Chinese. Except for The President Director, who is a relative of the shareowner, some of the other employees are related to bank and tax bureau officials. It is very important that the firm cooperates with these institutions. When my study was carried out, Mr.NH's group placed some relatives in the warehouse division and the others in the financial administration. This situation just occurs in certain white collar occupations. The recruitment pattern of blue-collar workers will be described in Chapter III.

The production director post in July 1992 had been re-occupied by a Javanese who was appointed by Mr.L's group. Formerly, he headed another textile company in Surakarta/Solo. Before he took office, Mr.L's family had already appointed a close relatives (also Chinese), but after a short while he had resigned. According to workers' information, the resignation was caused by the emergence of conflicts with other employees.

The latent conflict among white-collar employees is sometimes quite apparent. The employees are mutually suspicious of each other and provide personal information to higher-ranking officials. One of

the workers told me the following:

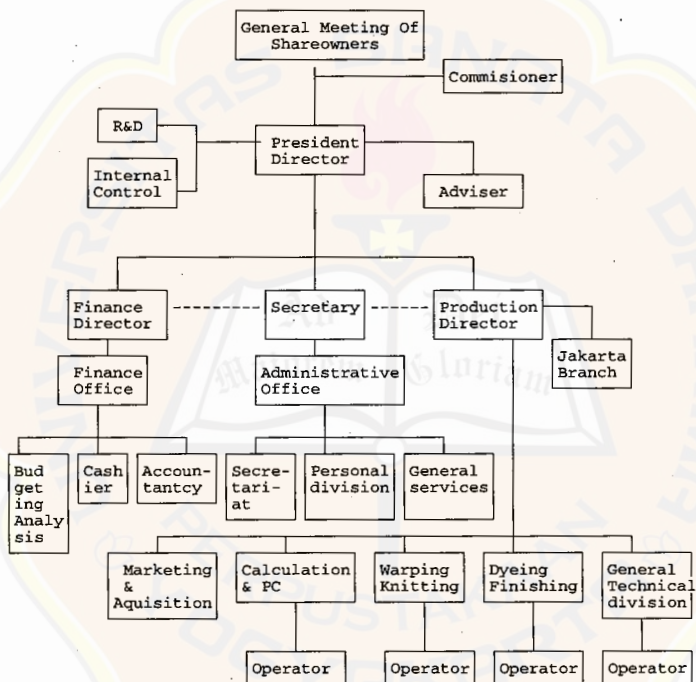
Sir, don't talk about sensitive matters in connection with this firm's situation. It is very dangerous, it is almost as if these walls could hear our conversation, and what we said will find its way to the manager.

What is the function of relatives in this firm ? Do they receive lower salaries than other employees ? Do they possess adequate formal education and qualification ? The post of warehouse division head, occupied by the Finance Director's nephew, is not only in charge of his own duties but also has the authority to supervise and control all workers and to make reports to the Finance Director. This means that he has the opportunity to warn the administrative staff, if he has the impression that the workers' behaviour is not in accordance with the interests of the management.

Soon after the President Director had allowed me to gather data, I made use of my time to work continuously and exceeded the administrative staff's working hours. One of the workers assisted me and everything was done with the permission of the President Director. The warehouse keeper directly reprimanded this worker, and the next day the Finance Director became angry with him.

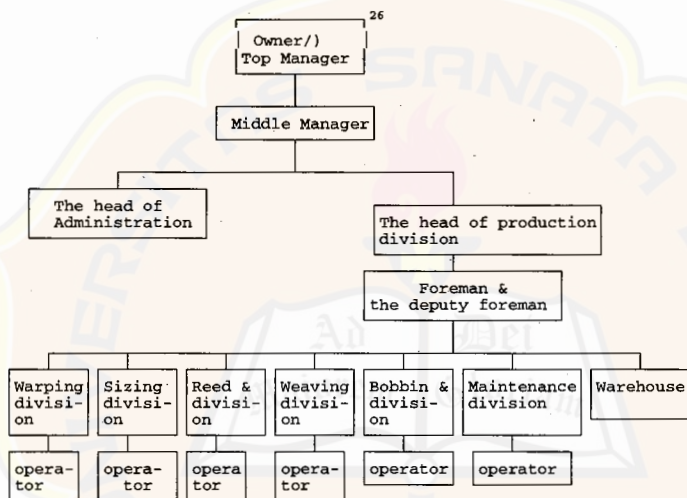
This case proves that the trust toward a relative is greater than the trust to the President Director in the process of organizational control. The President Director cannot do much about the warehouse keeper's reaction. This caused a series of irritations which were directed to some of the men who had assisted me before.

**DIAGRAM OF THE FORMAL HIERARCHICAL STRUCTURE OF  
PT. "J" TEX.**





### Diagram of the Formal Hierarchical Structure of PT."H"Tex



Note: The diagram of PT."J" Tex is based on information from the Administrative Office of the company. The management of PT."H" Tex informed me that there was no formal diagram for the enterprise. The above diagram of PT."H" Tex, therefore, is based on the findings of my participant observation in the company. As far as I observed, the formal structure of PT."H" Tex resembles that of a proprietorship company. Shareowners of PT."H" Tex in reality do not manage this company. They rent out the production facilities to other companies. The person who rents the equipment owns two other textile factories in Yogyakarta. He is the main decision maker in PT."H" Tex and assisted by an employed manager. Thus, there is no complex system of control. The label "Company Ltd (PT)" has no consequences in reality. The actual company organization resembles that of a sole proprietorship enterprise. The situation in PT."J" Tex is somewhat different. Although the President Director, formally, functions as top manager who organizes all activities in the company, the top position in the management is, in fact, in the hands of the Finance Director who owns a large number of shares in the company.

<sup>26</sup>. When Prof. H.-D. Evers and I were visiting this factory, the owner clarified that he owned three textile factories in Yogyakarta. We were also able to visit another one of them.

The relatives' managerial skill level is very low seen from their formal educational background. Still, their salaries are higher than that of long-standing employees who often also work longer hours. In contrast, among the Chinese of Hong-Kong and the Indians of Kenya high educational achievement is combined with traditional behaviour such as nepotism. The owner of the Chandaria family business in Kenya, for example, appointed two of his sons as wholesale traders. When opportunities in trade became increasingly limited as a result of political restrictions, two of the younger children in the family received a training which would enable them to become involved in manufacturing. Thus, they were sent to Britain and the U.S. to enroll in engineering and commerce <sup>27</sup>.

In PT. "J" Tex, there are two college-educated employees (one accountant and one lawyer) but the type of work carried out by them does not differ from that of clerk with senior high school degrees. The President Director mentioned in an interview with me :

Justice does not exist. Prosperity has to come first, then justice. By this I mean that we can give something to another person after we have achieved prosperity. In this firm, for instance, it is natural that relatives receive higher salaries than other employees. Someone in the circle of authority will give first attention to his own relatives, afterwards he will turn to other people.

The large number of employees with connections to the state bureaucracy and state-owned enterprises (like banks) negatively affect the administrative work of PT."J" Tex and lead to a phenomenon of disguised unemployment. This situation is not much different from the public administration where the civil servants spend their time reading newspapers, discussing possible lottery outcomes, and so on.

The administrative management of both PT."J" Tex and PT."H" Tex is still underdeveloped if compared with larger enterprises. Although PT."H" Tex has a clear-cut formal hierarchy, no accurate data

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<sup>27</sup>. Robin Murray, *The Chandarias: The Development of A Kenyan Multinational*, in Raphael Kaplinsky (ed), *Readings on the Multinational Corporation in Kenya*, Nairobi, Oxford University Press, New York Oxford, 1978, p. 289.

on the place of residence, age, and education of workers is available. The firm assumes that this will cause few problems as long as they are able to operate the machines. Existing data is compiled in a rather disorderly fashion. Summing up my impression of the company I would say that it produces and sells its products in order to gain profit but without paying any attention to an increase of competitiveness and of workers' satisfaction. Both enterprises produce their textiles only if there is demand and do not strive to expand their markets. Thus, they do not experiment with new and improved articles which might improve their competitiveness.

The number of white-collar employees who are relatives is smaller in PT."H" Tex than in PT."J" Tex. Two employees come from the shareowner circle, namely the Assistant Manager and the Cashier. The Assistant Manager is a close friend of the owner's brother and the Cashier is the brother-in-law of the owner's wife. In this firm, all division heads work under a shift system and they are required to help those weavers who encounter difficulties. For instance, when many weaving looms are out-of-order as a result of broken thread or when there is a matter of bobbin in shuttles, the division heads will assist with the broken thread in case the weaver is still busy with repairing another machine. Generally the division heads understand the weaving process and can operate the machines because of their long-term experiences, although they have no specialized education.

Chinese enterprises in Hong-Kong, Singapore, and other countries - including Indonesia - are very similar with regard to the type of ownership and the recruitment of relatives ("business nepotism"). There are, however, important differences concerning the management of employees with family relationships, the latter's formal education, and the size of their salaries. These aspects require further study.

## Summary

Although the two described textile factories are rather ineffective in their use of modern technology, their production increased faster than

demand in the market. These phenomena are logically related, since the use of modern machines makes little sense when market expansion is slow. While the two companies used old machines more or less throughout the 1970s, this did obviously not lead to ineffective production. Ineffectiveness in the use of machines as a result of old machinery, lacking qualification of manpower, etc would have required a market demand that was higher than the growth of production. This was not the case.

The introduction of machines in both factories did not lead to the emergence of "modern factories", because firm organization and factor allocation did not change. It is a matter of fact that organizational capability of firms as economic actors for expanding markets is an important step in the implementation of organizational changes. Failure of the firm organization to affect market expansion also leads to ineffectiveness in the use of machines, labour management, etc.

The two types of textile firms or enterprises, according to their corporate status, are Liability Com Ltd ( *P.T = Perseroan Terbatas*). Before 1986, the shares of P.T "H" Tex were predominantly owned by Batak and Chinese. Until 1989, there was a cooperation or joint capital between Javanese and Chinese in PT."J" Tex. At present, the composition of shareowners in both companies has changed. PT. "H" Tex is dominated by a Chinese rentier who operationalizes the factory in the form of sole proprietorship. PT."J" Tex, though there was a change of shareowners in 1989, the ethnic composition of shareowners did not change.

Before 1989, Javanese shareowners had contributed more than 50%, but now the majority of shares are in the hands of Indonesian Chinese. Actually, the cooperation between Javanese and Chinese can be interpreted as cooperation between state officials and Chinese businessmen, because the concerned Javanese are persons with close contacts to state bureaucrats at the ministerial level. There are two types of Chinese owners. The first group would like to enter into cooperations with state officials in developing their businesses, while the second group prefers self-management.

In the case of sole proprietorship, the hierarchical structure is clear, that is, the owner occupies the position of top manager and is



assisted by relatives as middle managers. In the cooperation type, although Javanese shareowners own the smallest part of the shares, top management is occupied by indigeneous Indonesians. In this case, the President Director commands less authority than the Financial Director who is the third-largest shareowner. The main functions of the President Director are labour management and government relations. The Board of Directors and the Board of Management are occupied by a 90% majority of shareowners (mostly Chinese). There is no disembeddedness in the Executive Board between management and owners. This finding implies that the management authority is mainly handled by Chinese shareowners.

Trust to relatives is greater than to other employees, although the former do not occupy top positions. Nepotism functions as a control system in the enterprise and gives little attention to the relatives' formal educational achievement. This stands in contrast to findings from Hong-Kong and Kenya that have been mentioned above. Chinese enterprise in Indonesia is characterized by embeddedness between owners and management. These aspects of nepotism can also be encountered in Hong-Kong, Taiwan, and Singapur. In the latter countries, the recruitment of relatives devotes somewhat more attention to educational attainment. The administrative division in the two examined Chinese-Indonesian enterprises is vague and the occupation of posts is not clearly based on formal education. In the following chapters, I will discuss the types of labour recruitment, working conditions, and other aspects of the two described companies.

## CHAPTER 4

THE PATTERN OF WORKERS' RECRUITMENT AND  
LABOUR SUPPLY STRATEGY**Introduction**

In the early organizational stages of a factory, simple technology controls the process of production. Owners require workers to operate machines without paying much attention to workers' qualifications. The control system of the firm can also be handled by family members or relatives without a complex bureaucracy. In the long run, when firms start to strive for market expansion and invest larger amounts of capital, the technological needs of a firm change. The structure of the firm organization will transform itself in order to adjust to new technologies, specialized workers, division of labour, etc. The bureaucratic control will differ from previous forms of control within the formal structure of a firm.

Bureaucratic control is embedded in the social and organizational structure of the firm and is built into job categories, work rules, promotion procedures, discipline, wage scales, definition of responsibilities, and the like. Bureaucratic control establishes the impersonal force of "company rules" or "company policy" as the basis of control<sup>1</sup>

Furthermore, the changes of a firm's organizational structure have consequences for the labour market. The labour market as an institution emerges from the employer's activities to maximize qualitative and quantitative production by improving workers' discipline at work. Labour markets become segmented by sex, race, market structure and stratified into skilled and unskilled workers.

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<sup>1</sup>. R.C. Edward 1979, p. 131 quoted by Michael Wallace and Arne L. Kalleberg, *Economic Organization of Firms and Labor Market Consequences: Toward A Specification of Dual Economic Theory*, in *Sociological Perspective on Labor Market*, edited by Ivar Berg, Academic Press Inc. New York, 1981, 87

Our survey on labour market segmentation in the Indonesian province of West Sumatra has shown that segmentation exists in term of gender and locality, and to a lesser extent by ethnicity between local ethnic groups on one hand and Chinese on the other<sup>2</sup>.

In my opinion, the selective behaviour of employers in the recruitment of workers, in the case of industrial workers, is not determined by a market mechanism which is based on the rational choice between buyer and seller. They do not choose workers on the basis of their capability and skill. Rather, selection is influenced by organizational decisions whereby the employment needs or the patterns of worker recruitment are adjusted to the economic and technological development and the possibility of worker mobility.

Results of field research are not in accordance with my previous assumption about the model of recruitment, i.e., that employers or owners usually employ formal rules such as open announcements, application with attending formal educational attainment, and the like to choose qualified workers. Open announcements do not appear in these textile firms, but the means of gate-hiring<sup>3</sup> is very common for the recruitment of workers. Through close contacts to friends and relatives or family members of workers who previously work in these firms, owners or managers announce vacant jobs in their firms. This chapter attempts to understand the recruitment practices of managers in these two textile firms. It also examines whether the pattern of recruitment depends on the condition of the labour market or whether it is actually determined by the organization of firms within which a certain kind of technology is applied. To what extent does this pattern

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<sup>2</sup>. Solvay Gerke and Hans-Dieter Evers, *Labour Market Segmentation in West Sumatra*, Southeast Asia Programme, Working Paper no. 197, Bielefeld, 1993, p.20

<sup>3</sup>. Gate hiring: announcements posted within the facilities of a particular establishment informing passers-by of the company's job openings. This recruitment method also includes those who are informed of openings in certain establishments by friends and relatives but did not carry letters of recommendation with them when they applied for the job. See Bikas C Sanyal, Waldo S Peterfecto, Andriano A Arcelo, *Higher Education and the Labour Market in the Philippines*, Unesco/Paris Wiley Eastern Limited, New Delhi, Bangalore Bombay, Calcuta; International Institute For Education Planning, 1981, p. 243

affect the strategy of workers for getting jobs and what are the implications of this model of recruitment for these firm ?

### **Labour Market Condition, Technology Use, and Worker Recruitment**

A considerable body of literature on labour markets pays little attention to the problem of secondary worker recruitment, although the recruitment of workers is one important aspect of labour markets. The term "market" in the context of labour markets, according to Althauser, means :

A market's structure or boundary was defined by institutional rules and administered by employers, craft groups, or unions that governed such employment relationships as recruitment, hiring, training and pricing workers <sup>4</sup>.

The aspect of recruitment cannot be ignored in the market structure because it is the basis of managers' or employers' effective management of workers in the workplace.

The complexity of concepts of labour market is confusing for the readers. Althauser and Kalleberg (1981:130) have tried to clarify these concepts. One aspect of labour markets is their segmentation into primary and secondary labour markets (including segmentation within the primary market) <sup>5</sup>. There are internal labour markets (ILMs) which are defined as job ladder and not as seniority right. ILMs comprise two types of markets, first, the firm internal labour markets (FILMs) which is confined to a single employer though it does not necessarily embrace all jobs in a firm. Secondly, the occupational internal labour markets (OILMs) which exist for incumbents of one occupation or two or more associated occupations are not necessarily confined to a single

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<sup>4</sup>. Robert P. Althauser and Arne L. Kalleberg, *Firms, Occupations, and the Structure of Labor Market: A Conceptual Analysis*, in *Sociological Perspective on Labor Markets*, edited by Ivar Berg, Academic Press Inc, New York, 1981, p. 121

<sup>5</sup>. Michael Wallace and Arne L. Kalleberg ,Op cit, p.91



employer. Firm labour markets are jobs which enjoy the shelter of employment within the same organization. They exist inside firm organizations but lack structural features which are associated with ILMs. A third type are occupational labour markets which refer to jobs or occupational groups that enjoy shelter from external competition because of the type of skill required by a firm. Finally, all jobs not covered by the above-described market structure belong to secondary labour markets (SLAMs) <sup>6</sup>. The last type of labour market will be a focus of analysis in this chapter.

The concept of labour market is difficult to define. Considering the labour market structure, writers define labour markets as arenas.

Labour markets are arenas in which one or more of the following are similarly structured: employment, movement between jobs, development and differentiation of job skills or wages (in their own right or as functions of skills, social status, experience, and other determinants)<sup>7</sup>.

Some writers have used this concept to refer to geographic or urban areas, occupational groups, ethnic and racial groups (Rees and Schultz:1970, Stolzenberg: 1975, Bonacich:1975 following Althauser 1981).

According to another definition, labour markets are areas within which a given set of supply-and-demand schedules operate to determine wages and other terms of employment <sup>8</sup>

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<sup>6</sup>. Previous writers have suggested other features associated with SLAMs

1. Turnover is typical, expected by employer and employee alike. It is not inevitable, because some employees remain in the same jobs with the same employer for long periods of time.

2. Job training is simple and brief: more extensive training is inconsistent with the limited scope and responsibility of the job.

3. Without job ladder or opportunity to develop skill or knowledge, there is no inherent potential for orderly movement into other jobs even if some co-workers leave the market and enter others.

4. The boundaries for SLAMs are typically geographic, either local or regional. Robert P. Althauser, *op cit*, p. 136

<sup>7</sup>. Robert P. Althauser, *op cit*, p. 121

<sup>8</sup>. Herbert S. Parnes, *Labour Force, Market and Mobility*, International Encyclopedia of Social Sciences, edited by David L. Sills, The Macmillan Company and The Free Press, 1968, vol., p. 482

In a broader sense, it is both areas or arenas within which sets of supply and demand, purchases, sale, and other terms of employment relationship operate which are included in the concept of labour market. According to the principles of market, if there is higher supply than demand, only preferred workers will be recruited by owners or managers. Employers will be free to select only qualified workers for their enterprises. Thus, an idealized version of a market would mean that

the end result is a perfect allocation of labour force, given the pattern of worker preferences for alternative types of work, the existence of technology, consumer satisfactions could not be enhanced by moving a single worker from where he is to any other jobs<sup>9</sup>

This market principle is rather problematic and has to be subjected to criticism. Is the worker preference determined by the market's mechanism of the labour market or is it more influenced by the level of the existing technology in industrial firms, as well as other factors ?

### **Labour Market Trends and the Demand for Industrial Labour**

The growth rate of the Indonesian labour force will have significant impact on the direction of labour market development. Compared to other Asian countries, the Indonesian labour force has been one of the most rapidly growing in recent years. Based on the 1990 Indonesian census, the population above 10 years of age increased by 29.6 percent between 1980-1990, although there has been a reduction in the yearly population growth rate from 2.2 percent in the early 1980 to 1.8 percent in the 1989<sup>10</sup>

Important factors that caused the growth rate of the labour force in Indonesia are the successful reduction of mortality and the increasing share of the adult population participating in the workforce.

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<sup>9</sup>. *ibid*

<sup>10</sup>. Greame Hugo, *Manpower and Employment Situation in Indonesia*, Information System for Employment Development and Manpower Planning, DEPNAKER/UNDP/ILO, June, Jakarta, 1992, p. 48

In *REPELITA V* (the fifth Indonesian Five-Year Development Plan), it is anticipated that Indonesia will have to find another 11.5 million jobs with the workforce increasing by around 2.3 million people per year <sup>11</sup>

Although Indonesia faced a growth of the workforce of 2.3 million in 1990, the quality of the labour force has dramatically changed. The change of educational attainment in the labour force can be demonstrated by a comparison of Indonesian censuses between 1961 and 1990. The percentage of both males and females of working age has steadily increased. Table 3.2 shows that the overall educational level has spectacularly improved from 1961 to 1990. In this period, the number of working-aged men and women without school education declined from 68.1 to 18.9 percent. At the same time, the number of persons with academic education increased from 0.1 to 1.9 percent.

The numbers of labour force development can be seen in Table 3.3. A comparison of educational achievement in manpower and labour force in the period between 1980 and 1990 shows that the labour market is characterized by a reduction of workers with low education and an increase of those with high education. This has consequences for those who are competing for jobs. One should assume that job seekers with high education will possess better opportunities for getting work than job seekers with low education. Whether this is really the case will be analyzed in this chapter.

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<sup>11</sup>. *ibid* p. 28

**Table 3.1 Average Annual Labour Force Growth Rates in Selected Asian Countries**

	1980-1990	1990-2000	2000-2010
<b>Japan and NICs</b>			
Japan	0.9	0.4	0.4
Singapore	1.6	0.6	0.3
South Korea	2.8	1.8	1.1
Taiwan	3.5	1.7	0.7
<b>China</b>			
China	2.4	1.2	0.9
<b>Southeast Asia</b>			
Indonesia	2.7	2.4	1.7
Malaysia	3.2	2.9	2.6
Philippines	2.8	2.8	2.6
Thailand	2.5	1.8	1.0
<b>South Asia</b>			
Bangladesh	3.5	3.6	3.3
India	2.2	2.1	2.0
Nepal	2.4	2.7	2.5
Pakistan	3.9	3.7	4.3

Source: Jones 1990 p.10, Hugo 1992,p.56

**Table 3.2 Indonesia's Population Aged 15 Years and Over, by Educational Attainment, 1961-1990**

Percentage of Population with:						
	Year	No Schooling	Incompleted Primary Schooling	Completed Primary Schooling	Completed Lower/Upper Secondary Education	Academic or University
<b>Males</b>						
	1961	55.7	22.6	16.7	4.8	0.2
	1971	32.4	29.4	27.1	10.4	0.7
	1980	21.8	35.9	25.5	15.9	0.9
	1985	14.4	30.1	30.8	23.3	1.4
	1990	12.2	24.3	32.2	28.8	2.5
<b>Females</b>						
	1961	79.6	11.2	7.3	1.9	0.0
	1971	57.0	21.2	16.5	5.1	0.2
	1980	41.4	30.4	18.8	9.1	0.3
	1985	30.6	29.3	25.0	14.6	0.5
	1990	25.4	24.9	28.1	20.3	1.3
<b>Both Sexes</b>						
	1961	68.1	16.7	11.8	3.3	0.1
	1971	45.2	25.1	21.6	7.7	0.4
	1980	31.9	33.1	22.1	12.4	0.6
	1985	22.7	29.7	27.8	18.9	0.9
	1990	18.9	24.6	30.1	24.5	1.9

Source: Jones and Manning 1991, 1990 Census of Indonesia, Hugo 1992.



Considering employment trends in different sectors and their potentials for worker absorption, the agricultural sector is leading with regard to the provision of employment. Table 3.4 shows that the percentage of persons employed in the agricultural sector is higher than in other sectors, although it declined from 1961 to 1990 for both sexes. Nevertheless, the agricultural sector still absorbs about 50 percent of the workforce. Employment in trade and services is growing faster than in the manufacturing sector, although the latter was growing at over 10 percent per annum in the second half of the 1980s

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**Table 3.3 Distribution of Indonesian Population Aged 10 Years and Over (Manpower) and Labour Force by Educational Attainment in 1980 and 1990.**

Educational Attainment Level	Manpower		Labour Force	
	1980	1990	1980	1990
No Education	27.5	16.1	29.5	17.5
Incomplete Prim. School	41.0	31.5	37.5	28.1
Primary School	20.7	30.1	21.3	31.5
Junior High School	6.0	10.8	5.2	8.9
Senior High School/ Diploma I/II	4.4	10.2	5.8	12.0
Academy/Diploma III	0.3	0.5	0.4	0.8
University	0.3	0.8	0.4	1.2
Total	100.0	100.0	100.0	100.0

Source: Hugo 1992:52, 1990 Censuses of Indonesia.

It is interesting to note that the quality of the labour force is higher developed than in previous years. However, the manufacturing

<sup>12</sup>. Graeme Hugo, op cit, p. 5

sector which is most important in the industrialization process does not yet offer more employment than both the agricultural and the trade and service sectors. It has to be examined whether industrial manufacturing will always take in job seekers in accordance with the qualitative development of the labour force.

**Table 3.4 Distribution of Employed Persons in Indonesia according to the 1961, 1971, 1980, 1990 Censuses.**

Industry	Percentage Distribution							
	Males				Females			
	1961	1971	1980	1990	1961	1971	1980	1990
Agriculture	74.2	66.4	57.2	50.5	71.2	64.7	54.0	49.2
Mining	0.3	0.3	1.0	1.3	0.1	b	0.4	0.6
Manufacturing and construction	5.2	6.1	7.7	10.5	8.1	11.6	12.6	14.2
Trade	2.4	2.9	4.7	6.1	0.2	0.1	0.2	0.3
Transport	6.4	9.2	10.2	11.8	7.9	14.6	19.2	20.6
Services	2.8	3.5	4.2	5.7	0.3	0.1	0.1	0.2
	8.7	11.6	15.0	14.2	12.2	8.8	13.5	14.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a= includes electricity, gas and water d = less than 0.005 Source: Hugo 1992: 58

**Table 3.5 The Proportion of Employment by Educational Attainment in the Manufacturing Sector of Indonesia 1986-1989.**

Educational Attainment	1986	1987	1988	1989
No Schooling	41.06	38.38	35.26	35.32
Primary Schooling	35.89	37.13	38.30	38.73
Junior High School				
General	9.55	9.71	11.26	10.65
Vocational	2.11	1.69	1.76	1.81
Senior High School				
General	5.67	6.69	7.25	7.10
Vocational	4.91	4.88	5.02	5.37
Diploma I/II	0.08	0.13	0.14	0.14
Diploma III	0.43	0.92	0.64	0.45
University	0.29	0.47	0.37	0.43
Total	100.00	100.00	100.00	100.00

Source: Hugo 1992.

From Table 3.5 can be seen that in the manufacturing sector there has not been much change concerning the level of educational attainment among its workforce. There has been a reduction of 2.9 percent from 1986 to 1989 in the recruitment of workers with low education (i.e. with no or primary schooling). The recruitment of workers with junior or high school diplomas increased 0.8 and 2.9 percent, respectively. This table also shows that the absorption of general junior and high school graduates is greater than that of vocational ones.

In Yogyakarta province, where the two textile firms I observed are located, the labour force grew 3.3 percent from 1980 to 1990. The participation rate of labour force was 71.8 percent for men and 62.0 percent for women in 1989. The percentage of employed labour force was 2.2 percent in 1989 (Central Bureau of Statistic:1990). The training of the labour force (i.e. the population aged 10 years and over)

was better than in other regions of Indonesia except Jakarta province in 1990. Persons who had not completed school made up 26.6 percent, primary school leavers 31.9 percent, junior high school graduates 16.7 percent, senior high school graduates 20.5 percent, academy graduates 1 percent and university graduates 2.3 percent ( Indonesian Census 1990 a).

Table 3.6 demonstrates that the increase of the labour force was followed by an increase of the number of employed workers, job seekers and vacancies for workers. The proportion between job seekers and vacancies for workers was imbalanced from 1987 to 1989, although vacancies for workers increased. The growth of vacancies for workers was no longer determined by the agricultural sector but by the growth of the non-agricultural sector. The labour force in the agricultural sector increased by 5 percent, while the manufacturing, utilities, constructions and trade sectors increased by 60.6 percent and services by 36.2 percent between 1989 and 1990 (1980 and 1990 censuses of Indonesia)

The spectacular increase of the non-agricultural sector was no longer determined by the manufacturing sector because the largest employment absorption did not take place in this sector. Table 3.7 shows that the manufacturing sector employed 11.9 percent of the workers, while the numbers for trade were 17.8 and for services 14.4 percent in 1990. This means that the manufacturing sector has not been the leading sector in the industrialization process when it comes to the level of employment.



**Table 3.6 Population Aged 10 Years and Type of Activity  
During the Previous Week, Yogyakarta Province  
February 1987-1989**

	1987	1988	1989
Total Labour Force	1539582	1557231	1587267
Working	1510809	1517955	1557011
Looking for work	28773	39236	30256
Vacancies for workers	1617	3449	3869

Source: 1988,1989,1990 Indonesian Statistics

**Table 3.7 Population Aged 10 Years and over Who Worked  
During The Previous Week, Yogyakarta Province and  
Main Sectors February 1987 - 1989**

	1987	1988	1989	1990
Agriculture	48.24	50.72	47.14	48.42
Manufacturing	11.59	8.17	12.92	11.88
Trade	17.09	18.60	17.58	17.77
Services	18.61	18.26	17.51	14.39
Others	4.45	4.26	4.85	7.54
No Information	0.02			
Total	100.00	100.00	100.00	100.00

Source: 1988,1989,1990 Indonesian Statistics and 1990 Indonesian Census.

According to the data at the firm level as showed by Table 3.8, PT "J" Tex hired three new workers in 1990. In 1991, the firm did not employ any new workers, whereas 23 former workers left. There is no available quantitative data in PT"H" Tex concerning

**Table 3.8 Labour Recruitment in PT "J" Tex  
1990-1991**

	1990		1991	
	Exit Number of persons	Recruited Number of persons	Exit Number of persons	Recruited Number of persons
January-April	13	23	9	11
May-August	16	11	8	12
September- December	15	13	44	15
Total	44	47	61	38

Source: *Buku Induk Pegawai* in PT "J" Tex.

workers' recruitment. According to the head of production of this firm, the recruitment of new workers depends on the firm's needs.

This firm actually employs too much workers. For each of the 30 machines there should be 3 to 4 persons, but in reality there are 5 to 6. This is done to make up for workers who are absent.

It is impossible to expect firms to take in a large number of workers without a rapid growth rate of industrial manufacturing. Worker recruitment is based on many factors such as the type of technology used, the economic expansion of firms, political considerations as labour movements and the like.

Considering the above-described trend of labour force development, the absorption of workers by the manufacturing sector has not sufficiently conformed to the increase of the labour force. This implies that, although the educational system is oriented by government influence to the labour market, the labour absorption by firms does not rely on the labour market segmentation characterized by different types of education. The pattern of workers' absorption by firms depends on the type of the respective firm. The simpler the technology applied by a factory is the lower the education of the workers hired will be. The more sophisticated the technology is the

more a firm will employ workers with high education.

### **The Pattern of Recruitment, Training, and Worker's Skills**

High technology does not necessarily require workers with a high level of formal education. Education is not the main factor in differentiating between skilled and unskilled workers. There has been a trend that factories with modern technology deskilled workers. They do not pay attention to knowledge or education as human resources, since their technology can be employed by all adult persons. Only technologies which require "mental labour" lead to the employment of qualified workers. The process of production in the modern factory is fragmented into many different tasks which are executed by workers without particular creativity. This can clearly be seen in the "assembly line technology" which has been influenced by Taylorism. In the assembly line model, workers lose the opportunity to become skilled workers. The phenomenon of the deskilling of workers has to be seen in the context of a particular firm. Employers often need groups of workers who are skilled in order to accelerate the process of production and to restrict workers' solidarity in the formation of movements<sup>13</sup>. This means that modern technology does not necessarily lead to the process of deskilling.

Both textile factories in my sample use machinery which requires workers as machine operators in the process of production. Although there is a division of labour, some tasks must be carried out by persons who have skill for operating machines. Understanding the concept of skill, researchers should distinguish between different types of firms, jobs, etc. It is difficult to define the concept of skill in general as has been pointed out by Saptari who criticized the vagueness of the concept of "deskilling". Is skill empirically measured by the ability to use technology? Is it measured by the degree of control over the work process, the duration of education, or the training for a particular job

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<sup>13</sup>. Ratna Saptari, *Deferensiasi Buruh dalam Industri Rokok Kretek*, PRISMA, Jakarta, No. 1 Tahun XXI Januari 1992, p. 4

?. At present, according to her, the measurement of this concept is based on subjective and inconsistent criteria dependent on the skills needed by employers or owners.

Considering some of the above-mentioned questions, I prefer to understand the concept of skill as a process including training until the worker occupies a certain job and cannot be replaced by another person without an ability for operating the process of weaving, knitting, warping etc. An understanding of skill and its acquisition will be important for an analysis of how recruitment is carried out by firms.

The two textile firms employed 707 workers, PT."J" Tex 207 and PT."H" Tex 500. At a glance, their machine technology and product, i.e., fabric, appears to be the same. Taking a closer look at the process of production, knitting looms are more complex than weaving ones, i.e., the disfunction of knitting machines during the process of production results in defect material, but not in the case of weaving looms. Employment differs according to sexes. The majority of machines in PT."J" Tex is operated by men, while in PT. "H" Tex a large number of machine operators are women. The new management, in both textile firms, took over the majority of those workers who had already worked under the previous management. In this context, no selection was applied by the new management.

The different sex of the workers indicates that a large number of tasks, although not all of them, can be carried out by both men and women. It is interesting to observe the preferences of workers' recruitment by the managements of the two firms. Which factors play an important role in selecting workers ? According to information I received, jobs or tasks are not specifically defined. This means that tasks can be carried out by all types of workers. Knitting, weaving, warping looms, etc. can be done by both sexes, as long as the respective persons command the necessary skill.

In August 1992, the new production manager of PT."J" Tex changed the firm policy and started to employ female workers as knitting operators. There is no precise information why this firm began to recruit female workers. Information provided by the vice manager of PT."H" Tex suggests that one of the reasons for employing female



workers is that they are cheaper than male workers. Another reason is that female participation in protest activities and the labour movement is lower than that of males. Wages and the dynamic of the labour movement will be discussed in the next chapter.

In recruiting new workers, firms usually do not announce vacancies, since there is already a large number of applications from job seekers. In the case of vacancies, the recruitment is carried out by contacting relatives or family members of people who already work in the firm. The management receives work requests without paying much attention to the formal education of workers. They will emphasize experiences, the spirit of work, and the loyalty of workers. As was stated by the knitting division head:

You have to understand that the educational level is not an important matter in relationship to work. If you are senior high school graduate, you have to prove your capabilities first. If you are a junior high school graduate, you also have to prove that you can work better than others. Skill as a machine operator, indeed, depends on your attention to work.

The hiring of new worker seems to follow a pattern that is similar to the one found in other sectors. In the case of recruitment in the construction sector of Semarang, located in the province of Central Java, some workers will follow persons who have been employed before them, while others receive work via other channels of contact (including chains of personal relations)<sup>14</sup>

*Gate-hiring* as a recruitment method is not only widespread in Indonesia but also in other Asian countries. In the Philippines, for instance, out of a total of 32,380 new employees, 47.7 percent were recruited through the gate-hiring method and 22.4 percent through recommendations. 12.1 percent of the new employees were hired through media advertisement and 8.5 percent through company labour

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<sup>14</sup>. Huub J Van Der Erve, *Recruitment and Composition Labour in Semarang, Indonesia*, Urban Research Working Paper, Institute of Cultural Anthropology and Sociology of Development, Free University, The Netherlands, 1987, p. 21

unions and private placement offices <sup>15</sup>

An analysis of the ways of recruitment is important to understand the management's criteria for recruiting workers. The head of production at PT."H" Tex argues that the pattern of recruitment through relatives and friends of workers guarantees worker safety. Most workers do not come from areas close to the factory. They usually live in villages and travel by bicycle about 10 - 17 km to the factory. The firm management divides workers in several groups according to the villages in which they live. They enjoy traveling together to the workplace and back home. This is also safer, especially at night. ( See the map and its explanation in the appendix). Another reason for recruiting relatives of workers is to have easier control over them in the workplace.

When recruiting new workers, we don't accept applicants who have no close relatives among the workers who already work in this firm. We prefer to hire relatives of workers because then we can easily control them by referring to the responsibility of the worker who provided the recommendation.

In fact, the "testing" of workers in the process of recruitment has no important role in the determination of a worker's qualification. According to information by one of the division heads of PT."J" Tex, "worker testing" is also conducted, but the actual hiring of new worker depends more on letters of recommendation. Furthermore, only in the time after the employment of new workers will the management of the company will be able to select workers according to their qualification.

Terms like "probation period" and "training" are often misunderstood or used in a confusing way. According to information I received, these terms are not clearly applied in the recruitment of new workers. It was generally maintained that new workers are trained for three months before they become involved in their respective tasks. This information must be interpreted in the context of "probation time". After employing them, they are "trained" for a certain period of time. PT."J" Tex does not distinguish between "training" and "probation

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<sup>15</sup>. Bikas C. Sanyal, *op cit*, p.251

period" within which new workers assist the operators of knitting and other machines. Towards the end of the probation period, their status is that of a general assistant or assistant of the operator. During this period, the management does not emphasize the ability to operate machines but the evaluation of workers focusses on the discipline of workers and criteria such as punctuality, times of absence, obedience, and the like. In this period, new workers are introduced to the milieu of work. PT. "J" Tex has no special training program for creating skilled workers.

The features of PT. "H" Tex with regard to the training process are quite different. Although its management also talks about a three-months training, this period is actually the probation period, whereas training only lasts for two to three weeks during this period. Before becoming involved in their tasks, workers are trained in the use of weaving looms. They have to know how to operate correctly the process of weaving which includes the repairing of broken threads, shifting the shuttles, etc. At the end of the training period, they are not yet categorized as skilled workers because it needs quite a long time and a lot of experiences to become a skilled weaving operator. New workers assist weaving operators until the management promotes them to the post of weaving operator. In other divisions, less skill seems to be required by workers. New workers who lack the necessary capability for becoming weaving operators, thus, can be transferred to another division.

Training in both of the described firms does not produce skilled workers, but introduces them to "know-how" in the textile processing that can be regarded as a basis for the creation of skilled workers. During the probation period, the attention to work, the spirit of work, loyalty, etc are monitored. The following information was provided by the head of production in PT. "H" Tex:

If, during the probation period, new workers turn out to be lacking in the spirit to work, have no discipline, and are absent three times a week, we will not accept them as permanent workers in this firm. Before they are hired, there's always an agreement on that.

Although there are divisions which require less skilled workers, some

divisions have to rely on skilled workers in order to accelerate the process of production.

The skill of workers can hardly be grasped by referring to their qualification, since their formal education has no great influence on their tasks. During one and a half months of observing workers at their workplace, aspects of their works such as carefulness, accurateness, patience in preparing and repairing materials cannot be measured by quantitative data but has to be described in a qualitative way. Each weaving operator, for instance, controls five weaving looms. When two out of five weaving looms are out of order during the production process, weavers have to find out the reasons for this and to accurately repair them. In the case of broken threads, weavers have to search the broken ones among one hundred and more warp threads. Threading heddle, for example, must be done correctly by the heddler because otherwise the weaving process will be disturbed.

Skills are acquired by workers through "learning by doing" or informal training at the workplace. Their formal level of education has little impact on their performance as skilled workers in the process of production. I received the following information from the knitting division head:

Workers who have a high school diploma are not necessarily more skilled than junior high school graduates. Persons with higher formal education, however, are often faster in understanding the directives than those with less formal education. We also have machine operators who are only junior high school graduates. We tend to recruit junior or senior high school graduates, the knitting technology used in this firm is too complex for people with no or only primary schooling.

The workers' profile in PT. "H" Tex concerning the level of education is quite different from the one in PT. "J" Tex. The formal education of workers in this company does usually not exceed primary schooling. This type of workers usually stays in the firm because they have fewer alternatives for employment than senior high school graduates. According to the experiences of the production head in this firm, workers who have higher formal education feel that their tasks in the factory are not in accordance with their qualification, i.e, they receive



only low wages, the work is dirty, etc.

**Table 3.9 The Formal Education of Workers  
in two Textile Firms.**

Educational Attainment	PT."J" Tex	PT."H" TEX	Row Total
Primary Shcool	33.3 %	46.1%	41.7 %
Junior High School	25.0 %	34.8%	31.4 %
Senior High School	41.7%	19.1%	26.9 %
Column Total	100.0%	100.0%	
	34.3%	65.7%	100.0 %

Source: Researcher's own data of 175 cases

**Table 3.10. Educational Attainment of Workers according to Sex**

Educational Attainment	Male	Female	Row Total
Primary Shcool	28.8 %	52.6 %	41.7 %
Junior High School	30.0 %	32.6 %	31.4 %
Senior High School	41.2 %	14.8 %	26.9 %
Column Total	100.0 %	100.0 %	
	45.7 %	54.3 %	100.0 %

Source: Researcher's own data of 175 cases

Table 3.9 demonstrates that there are more senior high school graduates in PT. "J" Tex than in PT."H" Tex. Although the percentage of workers with primary schooling in PT."J" Tex (33.3%) is lower than that of workers with senior high school education (41,7%), it is higher than that for junior high school graduates (25.0%). Since knitting

technology is more complex than the one needed for weaving, there should not be many workers with primary schooling employed in this division. The high percentage of primary school graduates can be explained by the fact that they were generally taken over by the former management. On the other hand, simpler technology which is used by PT."H" Tex, relies more on primary school graduates than junior and senior high school graduates. Table 3.10 shows that the formal education of male workers is higher than that of female ones. The percentage of female workers with senior high school educations is 14.8 percent, compared 41.2 percent among male workers, while 52.6 percent of female workers have only primary schooling. This does not really mean that most women in Indonesia have only primary education. It rather refers to different recruitment policies for both sexes in the analyzed textile firms.

The strategy of PT."J" Tex for hiring female workers supports the argument that knitting technology does not necessarily have to be carried out by men, but can also be done by women. There is no data about the education of female worker hired by this firm. The high percentage of senior high school graduates who are employed in the factory as "blue-collar workers" refutes the assumption that people with high formal education usually regard factory work as having a low status, being dirty, etc. It is generally maintained that they prefer to enter the government sector as civil servants or to occupy "white-collar jobs". The case of female workers, however, seems to provide evidence for this assumption.

The same assumptions on workers' preferences have been mentioned for other Asian countries such as India. People with high education can be trained as skilled workers in the factory, but many of them refuse this opportunity because factory employment is regarded as beneath their status and degrading. This assumption particularly applies to people with a privileged background such as high caste, class, or education <sup>16</sup>. In Indonesia, the situation is somewhat different. The perception of factory work described above is not limited

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<sup>16</sup>. William Form & Fred C.Pampel, *Social Stratification and The Development of Urban Labour Market in India*, Social Forces, An International Journal of Social Research, September, Vol 57:1 : 1978, p. 121

to one class or caste but to society in general. For historical reasons, occupations which are identified with the Javanese aristocracy are indicating elite status. In the Dutch East Indies, aristocrats or priyayi used to be recruited as subordinate civil servants for the colonial bureaucracy. In the present time, this outlook has not much changed. Work in the agricultural sector is still associated with lower status than work in the factory and public sector. Data as shown by Table 3.10 point to possible value changes, since a high percentage of male senior high school graduates entered the manufacturing sector. However, the data has been derived from only two textile firms. Moreover, it has to be subjected to closer analysis whether there has actually been a change of values or whether there are just no other employment opportunities for high school graduates. This matter should be dealt with by future research.

The implication of my findings is that the pattern of recruitment is not determined by mechanisms of the labour market but by the policy of the firm. The desire of the management to get easy control over workers at the workplace plays an essential role for the pattern of recruitment. The impact of cultural values on a firm's policy of recruitment and on workers supply strategy will be discussed in the following subchapter.

### **Cultural Values and Labour Supply Strategy.**

A firm's strategy of labour recruitment, in theory, should be influenced by mechanisms of the market where job seekers compete for employment and managers select from these competitors. This does not apply to the present case, where the management prefers to hire workers via acquaintances and close relatives of already employed workers. On this background, I will analyze the contribution of cultural values to management decisions and the worker supply strategy.

Familism is a characteristic feature of many Asian societies in which cohesion and harmony are stated as basic ideals of family life. In the Javanese family, the concept of harmony or *kerukunan* not only

refers to consensus and integration but also to the pattern of giving mutual aid (*tolong menolong*). What implications does this value have for both management and workers in the present context ? Before answering this question, I will describe the means of workers to attain employment and the persons with whom they have to establish relationships.

The workers of the two textile companies consist mainly of Javanese who live in rural areas, although the factories are both located in town. They are former peasants or landless agricultural labourers. After having received work in the factory, they usually continue to work in the agricultural or informal sector as a secondary occupation (*pekerjaan sampingan*). The income of factory workers is hardly sufficient to fulfill the basic needs of their families. (Wages in the factory will be described in the next chapter). The same, however, is true for the agricultural sector. Thus, many opt for a combination of agricultural and factory work. Although most industrial workers assume that work in the factory is more prestigious than agriculture, they do not give up the latter for economic reasons.

By observing how workers find employment in the factory one can understand the strategies which they use to offer their services. Those of them who have been working in the factory for a long time, that is, more than 10 years, and are more than 35 years old, tended to work in the informal off-farm sector before becoming employed in the factory. Women, for instance, usually helped their elder relatives in petty trade (*bakul atau warung kecil*). Men worked in the construction business as assistants of craftsmen or *pembantu tukang*.

Through their comparatively high mobility, they received information from others about vacancies at PT."J" and PT."H" Tex. The persons who provided the information generally had connections to managers or foremen. Other information about vacancies is often received from household members, relatives, or neighbours who know people in the management. The motivation for becoming factory workers could be, for example, the instability connected with work in the construction sector. It requires frequent moves over long distances.

Workers who have been employed for a long time in a factory become intermediaries between job seekers and the company



management, although they receive no material rewards for this activity. This means that the support provided to job seekers is perceived as a moral obligation and part of the mutual-aid scheme. Workers of long-standing usually bring the applicants in contact with foremen or the head of production. Job seekers are asked to apply formally, although there are not yet any vacancies for workers in the company. When new workers are required, previous applicants will be called upon through the intermediaries. In the long run, this develops into a structural pattern for workers to find employment in firms.

Workers who are still relatively young (below 25) and have been working in the factory for less than 10 years commonly started out as factory workers. They have no work experience in other sectors, except agriculture. They also found employment through relatives, household members, or neighbours. Established workers announce vacancies in the family or among friends in their villages.

**Table 3.11 The Percentage of Job Enrollment in two Textile Firms**

	PT."J" Tex	PT."H" Tex	Row Total
Without application and assisted by established worker	13.3 %	17.4 %	16.0 %
With application and assisted by established worker	23.3 %	53.1 %	42.9 %
With application, test, and assistance of established worker	48.3 %	11.3 %	24.0 %
With application and test	15.1 %	18.2 %	17.1 %
Column Total	100.0 %	100.0 %	
	34.3 %	65.7 %	100.0 %

Source: Researcher's own data of 175 case

**Table 3.12 Percentage of Sex and Relationship of Persons who Assisted in the Finding of Work in two Textile Firms.**

	Male	Female	Row Total
None	13.8 %	20.0 %	17.1 %
Parents	2.5 %	7.4 %	5.1 %
Brothers,Sisters, Broth, Sist in-law	17.5 %	8.4 %	12.6 %
Other Relatives	27.5 %	36.8 %	32.6 %
Colleagues	11.3 %	9.5 %	10.3 %
Neighbours and others	27.4 %	17.9 %	22.3 %
Column	100.0 %	100.0 %	
Total	45.7 %	54.3 %	100.0 %

Source: Researcher's own data of 175 cases

Table 3.12 illustrates that 82.9 percent of all workers found employment through the assistance of persons who previously worked in the factory or through colleagues who were acquainted with members of the management. There are different methods of recruitment, i.e, with or without formal application, with or without testing, etc. Only 17.1 percent of the workers offered their labour without the assistance of others. They apply and are tested by members of the management. Table 13 shows that family members make up 50.3 percent of all persons who assisted applicants to find employment in PT."J" and PT."H" Tex. Colleagues and neighbours account for 36.0 percent. When I visited the workers of the two textile firms in their homes, I discovered that they were concentrated in a small number of villages. This was very helpful for visiting other

workers who live in the same place or a neighbouring village (see map in the appendix).

The pattern of giving mutual aid as cultural value seems to influence the management's and workers' behaviour. However, the interests of both groups are different. The management instrumentalizes this value as a strategy for the recruitment of workers. This does not mean that workers who work in these two firm are more affluent than workers in other companies. Mutual aid among workers is used for a rationalization of the firms's economic operations. The described pattern of recruitment through informal contacts is cheaper and less risky than through formal applications and contractual relations. The result will be a more homogeneous composition of workers with regard to sex, education, place of residence, etc. This will facilitate the company's control. For workers, the value of mutual aid does not only imply assistance by family members and friends but is also perceived as a means of social control. The recommendee will select only persons with certain characteristics. Job seekers who do not conform to these characteristics will not be recommended to the management, because in this case the recommendee will lose his or her reputation.

### **Summary**

The educational composition of the Indonesian labour force has changed during past ten years. The number of persons with higher education has increased, while those with low education has decreased. Thus, in general the qualification of the labour force has improved. Since the capacity of companies to hire<sup>a</sup> new workers is limited, strong selective principles are applied by them. Theoretically, the process of recruitment should be determined by market mechanisms of supply and demand, that is, there should be contractual relationships between workers and management. In the present context, this is not the case, since the recruitment of workers is arranged through close relatives and friends.

The recruitment of workers pays less attention to their level of formal education. Although machines can be operated by both men

and women, in fact most machine operators are women. Changes in the recruitment policy PT."J" Tex have to be understood as selecting those workers who are the cheapest ones, i.e., women. Another reason is that female workers are less involved in protests and the labour movement. Through this process of recruitment workers are selected which can easily be controlled by the management.

Since the educational level does not much determine the skill of workers, it tends to be ignored by the management. Skills are defined as long-time work experience. Training and probation time are not clearly distinguished. Training takes place during the probation period within which new worker are introduced into the milieu of the workplace, i.e, how they have to prepare and repair weaving or knitting machines. Qualification is not so much determined by the ability of a worker than by his spirit to work. His discipline and loyalty are more important as criteria for the selection of workers by the management. The final selection of workers takes place during the probation period.

Management and worker's behaviour in the process of recruitment is based on cultural values such as harmony (*kerukunan*) and the giving of mutual aid (*tolong menolong*). These values, however, serve different interests for both groups. The hiring of new workers through close personal relationships is rooted in the principle of "giving mutual aid" and instrumentalized by the management for their own interests. The pattern of recruitment through close personal relations is an instrument to control workers. It reduces the economic costs and risks for the company. What does the value of "mutual aid" mean for workers ? Their lives seem to be in harmony, they can help other people (especially family members) to find work, but, most importantly, the character of job seekers can be selected in this way. Job seekers will not be recommended to the management, if they display personal features that are not in accordance with social requirements. This is to safeguard the good reputation of the recommendee. In the next chapter, I will discuss the working conditions in the two textile firms.



## CHAPTER 5

**FIRMS: A ONE-SIDED DECISION MAKER ON WORKING CONDITIONS****Introduction**

The phenomenon of poor working conditions appears in all countries during early industrialization. The definition of working condition that I apply in the case of the two textile firms examined refer to hours of work, wages, insurance, and health facilities <sup>1</sup>. This could also be seen during the early stages of the industrial revolution in European societies.

the spinning and weaving was transferred from home and small workshops to factories, with their very different condition of work. The employed labour force included a high proportion of woman and children, who work exceedingly long hours. They often worked 11-12 hours a day for six days a week and sometime up to 14 or even 16 hours a day <sup>2</sup>.

Countries which are now industrialized such as Germany, Britain and the like revealed similar poor working condition as countries which are industrializing at present. In Germany in 1870, for instance, the working time in textile mills was from 6 o'clock in the morning to 8 o'clock at night. In 1873 it was shortened from 6 o'clock to 7.15 p.m <sup>3</sup>.

Changes in working conditions such as working time, wages and others in industrialized countries have been achieved over an extended period of time. Around 1720, working time in London was reduced from 15 to 14 hours a day and weekly pay increased. In the mid 1830's,

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<sup>1</sup>. Although Paul Blyton (1985: 1-7) in "*Changes in Working Time: An International Review*" does not clearly define the concept of working conditions, his explanation of the position of managerial or white-collar employees can highlight some aspects of working conditions. He argues that managerial and white-collar employees have traditionally shorter hours than manual counterparts, longer holidays and less shift-working, as well as better pay, improved sickness benefit, pension entitlement and better canteen facilities. This list covers virtually all aspects of the terms, conditions, and environment of work.

<sup>2</sup>. *ibid* pp. 1-7. See also Archibald A Evans, *Hours of Work in Industrial Countries*, International Labour Office, Geneva, 1975, p. 1.

<sup>3</sup>. Dieter Schuster, *The German Trade Union Movement*, Freidrich Ebert-Stiftung, 1985, p.22.

working time was 10 hours a day. Beginning in 1871, working time extended over five days a week with 11 hours per day (less than one and a half hour meal break) and seven hours on Saturday (with less than half an hour break on Saturday). This arrangement existed until the introduction of eight working hours per day<sup>4</sup>. The improvement of working conditions is historically related to the struggle of workers in trade unions. I do not intend to discuss this development, but I will analyze the institutional mechanisms that played an important in the determination of working conditions. In other words, the aim of this chapter is to analyze which factors or institutions influence the determination of working conditions.

### **Some Institutional Mechanisms**

Looking at society and economy in the industrialized world, some scholars, i.e. Schmitter and Streeck 1985, propose a new approach to the study of economic activities. For the analysis of the functioning of society, this approach focuses on the governance mechanism. In this context, governance is defined as the guiding principles of interaction and allocation. This concept refers broadly to the full range of institutional possibilities for arriving at collective decisions in an economy. The function of economic governance is to coordinate firm activities with their environment consisting of customers, suppliers, labourers, government agencies, etc. (Lowrence and Dyer following Hollingsworth and Lindberg). Hollingsworth and Lindberg argue :

governance refer to several institutional mechanisms through which firms as complex organizations have come to deal with other organization or actors in response to problems of resource scarcity (uncertainty with respect to the availability of capital, raw materials, human resources), and information complexity ( uncertainty with respect to competition, products, markets, technology and government regulation)<sup>5</sup>.

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<sup>4</sup>. Alastair Evans & Stephen Palmer, *Negotiating Shroter Working Hours*, The Macmillan Press Ltd, London, 1985, pp. 3-10.

<sup>5</sup>. Leon N. Lindberg & J.Rogers Hollingsworth, *The Governance of The American Economy: The Role of Markets, Clans, Hierarchies and Association Behaviour*, in *Private Interest Government: Beyond-Market and State*, edited by Wolfgang Streeck & Philippe L. Schmitter, Sage Publication Ltd, London, 1985, p. 221.

Schmitter and Streeck mention that there are four models of guiding principles of economic action namely state, association, market, and community. These governance structures have distinctive properties or structural elements that come up and complement each other in the functioning social order of industrial societies <sup>6</sup>. Through this approach various sectors which are related to economic activities can be discussed: how prices are stabilized, how information about products is disseminated, how workers or employees are managed, etc.

Hollingsworth and Lindberg, for example, analyze how the prices of products are determined by governance mechanisms in relation to small firms with low technological complexity, small firms with high technological complexity, large firms with low level technology and large firms with high technology. Their analysis concludes that market, state, and associations of employers play an important role in the determination of the prices of products, but the level of each governance structure is different. In the case of small firms with low level technology and large firms with low level technology, the four governance models mentioned above in different ways determine the price of products. In small firms, market, state and associations are the strongest governance mechanisms <sup>7</sup>.

The emergence of governance structures depends on the respective economic activities and varies between different places and firms. The determination of prices and working conditions can be differently affected by governance structures. Variations can also occur between different countries. One aspect of the governance structure can emerge as the dominant one, while others might not play an important role in the carrying out of economic activities.

Whether prices or working condition are determined inside the firm can be analyzed through the governance structure the elements of which not necessarily complement each other. One element of the structure can strongly determine the economic activities of a firm, while

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<sup>6</sup>. Philippe L.Schmitter & Wolfgang Streeck, *Community, Market, State-and Association? The prospective contribution of interest governance to social order*, in *Private Interest Government: Beyond-Market and State*, edited by Wolfgang Streeck & Philippe L. Schmitter, Sage Publication Ltd, London, 1985, pp. 1-5.

<sup>7</sup>. Hollingsworth and Lindberg, *op cit*, p. 246

other structures do not emerge.

There are three alternative models of determining exchanges, according to Ouchi 1980, such as market, bureaucracy, and clan or - in Schmitter's terminology - community. Markets consist of contractual relationships which must be specified in explicit regulations. In such transactions, all obligations are fulfilled on the spot. However, contractual relations in the market place are incapable of dealing with future transactions and most exchange relationships involve long-term obligations. In that regard, the uncertainty and opportunism can create high transaction costs which are able to make the market fail. In other words, since the costs of completing transactions become unbearable, market as governance mechanism fails to explain the activities of economic exchanges.

Market failure can guide the mechanism of exchange relationships to move from one domain into another. At that point, bureaucratic mechanisms will be more preferred than market structures. There are two principle advantages of the bureaucratic management of firms compared to market relationships. First, employment relations are characterized by incomplete contractual relationships. Workers agree to wages, hours of work, etc., thereby legitimizing the rights of the organization. Through this legitimization, managers can direct the work activity of employees or workers and closely monitor the employees' performance which can minimize the problem of opportunism. Secondly, bureaucracy can create an atmosphere of trust. In that context, opportunistic tendencies can be reduced by developing congruent goals between employers and employees.

In the long run, incongruent goals will emerge between the bureaucratic management and the workers when firm organizations concentrate to pursue their economic interests. Tasks become highly unique, completely integrated, and ambitious. At that point, bureaucratic mechanisms can fail to determine economic actions in the form of labour management. Furthermore, Ouchi argues that the element of clan which embodies a strong form of employment relationship appears to minimize the risk of premium. Clans are collective actors characterized by esteem, compactness, respect, trust,



belonging to group, desire to share common values, satisfying identity, etc. Clan in this sense is defined as a loose organization in which the members are bound together over very long time, mutual understanding, and mutual rewarding that can be expected by long term involvement. This type of mechanism often seems to substitute not only market but also bureaucratic relationships as well <sup>8</sup>.

In accordance with Ouchi's argumentation, I will emphasize the contribution of cultural values to employment relationships in firm organizations. If clan often substitutes the position of bureaucratic management, as is claimed by Ouchi, both clan and bureaucratic management can simultaneously emerge as strong mechanisms. Cultural values often become an instrument of bureaucratic management within employment relationships.

### **Institutional Mechanisms: Owners, Worker Organizations and Government Agencies**

The relationship between owners, workers and the government is commonly called "industrial relations". This relationship covers all issues including working conditions such as wages, hours of work, hygiene of workers, the presence of unions, and the like. In this chapter, I do not intend to discuss all aspects of labour relations, but will focus on working conditions.

There are three types of labour relations. First, in the former communist societies, workers organizations are instruments of the state and are largely restricted in their functioning to the encouragement of higher employee productivity. These societies are characterized by an absence of private ownership of the means of production. Secondly, in countries with dictatorial or semidictatorial capitalist systems, unions sometimes enjoy a certain amount of freedom to influence the political environment. The union movement may provide a useful ally for a dictator in breaking or countering the entrenched power of a landed aristocracy. The union movement is usually under control of the dictatorial system. A limited and weak

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<sup>8</sup>. William G Ouchi, *Market, Bureaucracies and Clans*, Administrative Science Quarterly, March, Volume 25, 1980, pp. 129-139.

form of collective bargaining may exist, whereby both unions and employers are regulated by the power of the state. Third, in democratic industrialized societies, trade unions function both as instruments of collective bargaining and as political institutions <sup>9</sup>.

The contribution of trade unions within the governance structure of Western industrial societies led to better working conditions for wide segments of the population. Workers associations have a rather strong position in the bargaining relationship with employers.

The development of German's labour organization is begun by the initiative which came from Berlin. In April 1849 members of a groups decided to form an association in which delegations from various workmen's co-operative societies discussed working people concerning with labour's problem and need. The association called for the setting of minimum wage and a maximum working time was determined by the commission of labour and masters <sup>10</sup>.

In 1886 the International Association of Worker campaigned with a popular slogan that demanded "eight hours work, eight hours leisure, and eight hours sleep". The improvement of working conditions in Japan has been affected by the freedom of workers' associations to demonstrate and protest for better working conditions. Before the Second World War, distinctions between the working conditions of white and blue-collar workers used to be very strong in Japan <sup>11</sup>.

Within the context of the above-described governance structure of labour relations, the present Indonesian government maintains that industrial relations in Indonesia have specific qualities which differ from other countries. The Suharto administration rejects the practice of industrial relations which are based on liberal ideas.

Soon after independence was achieved, Indonesia adopted a parliamentary democracy based on liberal ideas. This too was reflected in the situation of industrial relations. This led to the development of class struggle as advocated by Karl Marx. During this early period of development, widely divergent approaches to

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<sup>9</sup>. E Robert Levernash and others, *Labour Relations*, in David L. Sills (ed), *International Encyclopedia of Social Sciences*, 1968, 491

<sup>10</sup>. Dieter Schuster op cit p. 11

<sup>11</sup>. Ketut Surajaya, *Etika Bisnis.....*, Jawa Pos, Indonesian Newspaper, 10 March, 1991

industrial relations were advocated and practiced; fights between labour and employers were common issues in that time. Strikes on behalf of the workers and lookouts on behalf of the employers were considered to be basic right. It became extremely difficult to create harmony and cooperation between labour and employers and confrontation and antagonism between labour and employers was further aggravated by the animosity and competition among company unions <sup>12</sup>.

According to the government of the "New Order", Indonesian industrial relations should be based on the state ideology of "Pancasila" that is in accordance with the spirit of Indonesian culture and the way of life of the Indonesian people. In line with this ideology, the main purpose of human life is the achievement of happiness. This should be achieved through the creation of a homogenous, harmonious, and balanced society. This has two major implications for the structure of labour relations. First, the relations between government, employers, and workers should be guided by the principle of mutual help and brotherhood. Secondly, problems should be solved through a process of deliberation and the achievement of consensus <sup>13</sup>.

The function of each element of the governance structure of industrial relations expected by the government is as follows:

1. Workers or unions should not only reflect the aspirations of the workers including their right to organize, their collective right to express their feelings and opinions in respect to conditions of work, their right to bargain collectively and other protective rights, but should equally be responsible for the active participation of workers in the duties of development.
2. Recognizing the employer's right to develop his business and profit, the right to manage the capital, employers should also contribute constructively to the welfare of the workers and develop good management practices within the context of national development.
3. The government, within Pancasila Industrial Relations, adopts a role as protector, guide, and arbitrator. In this sense the government is a protector of the community and a partner in the process of production <sup>14</sup>.

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<sup>12</sup>. Yayasan Tripartit Nasional, *Manual on Implementation of Pancasila Industrial Relations*, Jakarta, November 15, 1995, p. 5

<sup>13</sup>. Ibid, 9.

<sup>14</sup>. Ibid, p. 12

Functioning government as protector of the community--both employer and workers-- is still questionable in the reality. Which community is protected by government ?

**Table 4.1 Number of Inspections, Violations, Hearings and Verdicts from 1983/84 to 1988/89.**

Cases	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Inspection	23,673	24,552	25,876	31,404	28,492	32,033
Violation	7,825	15,226	11,279	9,780	19,747	21,896
Hearing	129	118	60	42	23	64
Verdict	20	10	3	24	6	20

Source: FBS, Jakarta, Indonesian, December 1990 <sup>15</sup>

This table demonstrates the frequency of inspections carried out by the Department of Manpower. The number of inspections of enterprises increased from 1983 to 1988. At the same time, the number of violations by enterprises also increased. In contrast, the number of hearings declined between 1983 and 1988, while the number of court verdicts declined in 1984/85, 1985/86, and 1987/88. The proportion of hearings to verdicts was very imbalanced. The explanation of the government for this imbalance was that the violations committed by enterprises were frequently less severe. The government as "mediator" seems to protect employers rather than workers.

What do the above-described values of "Pancasila industrial relations" mean in reality? Neither is their meaning clearly defined nor is their transformation into legal norms clarified or obedience to them guaranteed. Traditional cultural values are always propagated by superordinates such as employers or members of the management and state officials with the intention to control workers. Because of the propagation of traditional values workers are in a weak position and

<sup>15</sup>.Friedrich-Ebert-Stiftung, *Aspect of Labour Inspection in Indonesia, A Prefeasibility Study on Possibilities for Fraining Program*, Jakarta, December 1991, p. 56.



subordinated to the interests of the bureaucratic management. For workers themselves, these values have little meaning in their struggle for existence. They only imply obedience, loyalty, etc. The labour constitution and regulations of the Minister of Manpower illustrate this weak position of workers:

Law no. 14 of 1969, every worker has the right to establish and join a labour union. The formation of labour union should be carried out in a democratic way. According to Law no. 18 of 1956, union and employer associations must be protected by the law from interventions with regard to organization formation, the procedure of work, and its management<sup>16</sup>. Under the regulation of Manpower Minister no. 1109, the formation of worker organization must be consulted to owners or manager. The committee members of worker organization (Serikat Pekerja Unit Perusahaan/SPUK) have to be approved by management<sup>17</sup>.

Concerning the formation of workers' organizations, these government regulations protect the interests of the employers rather than those of the workers. The emergence of cooperative mechanisms between trade unions, employers' associations, and the government in industrialized countries have contributed to the improvement of working conditions. In countries where trade unions do not play an important role and are not protected by government regulations, the management dominates the determination of working condition. Thus, cultural values are used as an instrument by the management to strengthen their authority. This chapter will examine to what extent the management controls the working conditions in the case of non-functioning trade unions at firm level.

### **Dysfunctioning Trade Unions (PUK SPSI) in Two Textile Firms**

The most important instrument in implementing Pancasila Industrial Relation at the firm level is the Collective Work Agreement

<sup>16</sup>. DEPNAKER, *Himpunan Peraturan Perundangan-Undangan, Bidang Persyaratan Kerja*, Jakarta, Nopember 1990, p.327. The quotation have been translated from Indonesian by the author.

<sup>17</sup>. TEMPO, Indonesian Magazine, June, 19981, p. . The quotation have been traslated from Indonesian by author.

(*Kesepakatan Kerja Bersama/KKB*). The dysfunctioning of PUK SPSI can be understood as a result of workers' lacking participation in the Collective Work Agreement (CWA) and as a result of the way in which this agreement is implemented by both workers and employers. The creation of this agreement will help to answer the question whether workers' organizations (PUK SPSI) have a function in Pancasila Industrial Relations. The "CWA" is an agreement concluded between the trade unions at firm level (registered at the Department of Manpower) and the employer or Legal Employer Federation. It contains the conditions of work agreed upon by both parties. It is the legal basis for the law on collective bargaining. A preliminary draft of "CWA" can be prepared by either party expressing their respective interests. The draft is submitted to the other party and used as a basis for negotiation. This process of negotiation represents the collective bargaining between workers and employers and is supposed to result in a "collective agreement" between both parties.

The PUKs SPSI in PT."J" and PT."H" Tex are somewhat different. These organizations existed in both companies during the former management. While the PUK SPSI still exists in PT."J" Tex, it has disappeared under the new management of PT."H" Tex.. The PUK SPSI in PT."J" Tex was established in 1976 through the initiative of workers. One of the leading members of PUK SPSI mentioned that he was arrested by the police during the struggle for the establishment of the organization :

During the time of the former management, some friends and I conducted a meeting to create a workers' organization (PUK SPSI). The police came to the meeting and held me in the police station for two days. I was interrogated by the police concerning our efforts to carry out a movement. There is no problem with the new management. The President Director allows workers to create workers' organizations.

Although a trade union was established in PT. "J" Tex in 1976 under the former management, this organization was strongly controlled by the management and there was no "CWA" for the implementation of industrial relations. The situation did somewhat change under the new management. The President Director allows the workers to prepare a draft of "CWA", but the final decision is in the hands of the

management. After preparing a draft for "CWA", it was submitted by PUK SPSI to the management. Without negotiating with the workers' organization, the board of management nullified four articles of the proposed "CWA". Following the managements decision, workers must not protest against the management, but enter into a deliberation among themselves in order to arrive at a consensus.

According to the information provided by workers, PUK SPSI in PT."J" Tex does not really achieve an articulation of the interests of workers and "CWA" is not fully applied in industrial relations. For instance, according to the article no. 28 of "CWA" and no. 27 of firm regulations, every female worker/employee or worker's/employee's wives who has given birth to her second child will be granted by the management a sum of at least 20.000 rupiahs. Although the firm regulations and "CWA" make no difference between workers and employees, in reality employees, especially those with close relations to a member of the management, receive higher amounts of money than others.

A statement by the President Director gives the impression that the PUK SPSI is under full control of the management:

I command the committee of PUK SPSI so that they educate workers whenever they are lacking in discipline at the work place. I have a right to command the PUK SPSI.

The PUK SPSI can be understood as an instrument to assist the board of management in the control of workers. In consequence, the organization is no longer trusted by workers as an institution capable of struggling for their interests.

The PUK SPSI in PT."H" Tex disappeared after the installation of the new management and did not re-appear during the time of my field research. One of the members of the management explained that the workers were not interested in forming an organization because it did not seem important to them. According to workers, the formation of PUK SPSI would contribute to the articulation of their interests. However, the management usually dislikes the leaders of PUK SPSI. The information provided by management and workers indicates that the workers' intention to create PUK SPSI is affected by the restrictive attitude of the management. The establishment of PUK SPSI will, in the

eyes of the management, infringe on the process of production, e.g., by possible *PUK SPSI* activities such as strikes.

State officials of the Department of Manpower recommend that every factory should have a *PUK SPSI*. However, not all enterprises allow their workers to form an interest organization. Sometimes, the *PUK SPSI* is created by the employer himself or the management. In the case of an electronic firm in Jakarta, for instance, workers proposed to the board of management the establishment of a trade union, but this suggestion was rejected by the management. A member of the management board one day later announced that a workers' organization would be formed in which the committee members were to be designated by the management (Kompas, Indonesian Magazine, March 10, 1991).

Concluding from these findings on the formation of *PUK SPSI*, the principle of deliberation to arrive at a consensus turns out as an instrument of authority to prevent the development of a labour movement. The aim is to keep local trade unions under the control of the respective company management. The implication of the dysfunctioning of workers' organizations at plant level is that the company management plays a dominant role in the determination of working conditions. The government inspection of factories does not contribute to the improvement of working conditions. Therefore, it has to be asked to what extent government regulation plays an important role in the improvement of working conditions. The implementation of these regulations will be analyzed in the following sections.

### **Working Time: Between Regulation and Reality.**

The regulation of work time in Indonesian is based on the labour constitution no. 12 of 1948 which has been reinforced by the constitution no. 1 of 1959. Besides regulating the hours of work, it also determines the sanctions for violations by employers. The regulations state that workers must not work more than seven hours per day and 40 hours per week. Work which endangers the worker's health or security should not be carried out for more than six hours per day and 35 hours per week (The article no. 10 of the labour law no.1. 1959).



This norm should be included in the firm regulations and "CWA" which are set up by negotiations between workers' organization and management.

The firm regulations and "CWA" of PT."J" Tex regarding the hours of work do not conflict with the above-mentioned labour law. The hours of work are fixed in accordance with the legal maximum of 7 hours per day and 40 hours per week. However, since there is no PUK SPSI in PT."H" Tex, workers have no "CWA" as guidance in industrial relations. I did not find any clear firm regulations during the time of my fieldwork in PT."H" Tex. Both in PT."J" and PT."H" Tex, the working time is divided into three shifts. The first shift lasts from 10.00 p.m. to 6.00 a.m.. The second shift extends from 6.00 a.m. until 2.00 p.m. and the third one lasts from 2.00 p.m. to 10.00 p.m. In every shift, there is a meal break of one hour. The workers take their breaks at different times in order not to disrupt the process of production. Workers usually work six days a week with the shift changing every other day.

In reality, workers work 8 hours per day with one hour meal break which amounts to 48 hours per week. If the meal breaks are not included in the working hours, they work 42 hours per week. Thus, the firm violates the law of working hours. In the law no. 1. 1951, article no. 18, employers and state officials who violate the law will be punished by three months imprisonment or a fine of 500 Rupiah. If the violation is continued after that, the punishment will be increased to six months of imprisonment or 1000 Rupiah. The punishment is totally out of proportion to the economic advantages gained by the violation of the law. Employers pay the workers low wages, pay the low fine for their violation, and accumulate much profit. The punishment of 1000 Rupiah is equivalent to 2 kg rice in Indonesia.

According to the government regulation no. 12 of 1941 (*Surat Keputusan no 12 tahun 1941*), article no. 1, women are not allowed to work between 10.00 o'clock at night and 5.00 o'clock in the morning. However, they can work between 5.00 a.m. and 10.00 p.m. This regulation stems from the Dutch colonial period. The regulation of Manpower Minister no. per/04/Men/1989 which is based on the colonial ordinance no.647 of 1925, article no.3, states that employers who employ women at night must guarantee their security, health, and

morals. Precisely, this regulation states, among others, that a. the women must be at least 18 years old, b. not pregnant, and c. that transportation must be made available by the company. In reality, especially in the case of PT."H" Tex, the night shift for female workers does not finish at 10.00 p.m. but extends from 10 o'clock in the night to 6.00 o'clock in the morning. Female workers usually commute by bicycle 10 to 17 kms a day without transportation being provided by the company.

Since disfunctioning workers' organizations and the violation of labour regulations are profitable for the employer, workers have a very weak position. The punishment for violations prescribed by the colonial labour ordinance has not been modified in accordance with the present situation. For instance, a fine of 500 to 1000 Rupiahs has been adopted from the 50 to 100 Gulden mentioned in the colonial ordinance no. 647 of 1925 and transferred to the Indonesian regulation of 1951 in accordance with the economic development at that time. Based on these findings, one can conclude that workers are not protected by labour regulations of the government.

### **Some Observations on Wages**

This subchapter describes regulations related to wages, the actual wages paid by the companies, and the wage distinctions between men and women. I will also try to answer the question whether the wages are sufficient to satisfy the minimum physical needs of the workers. Minimum wages for production workers have been determined by the Indonesian Government's regulation no. 8 of 1981 about "The Protection of Wages". This law does not only regulate the procedures of payment but also the punishment of employer violations of the law. Another decision with regard to minimum wages is contained in the order of the Minister of Manpower Per- 05/Men/1989. Labour law no.80 of 1957 is the ratification of convention no.100 of the International Labour Organization (ILO) concerning equal remuneration for men and women.

On the background of laws and regulations, I will evaluate the reality of wages in the two studied enterprises. An important point of

the government regulation and the regulation of the Minister of Manpower is the punishment for violations of the employer which will be three months of imprisonment or a fine of 100,000.- Rupiahs. This punishment is somewhat in accordance with economic development. However, it is necessary to analyze whether reality is also in accordance with the regulation.

The article number 7 of Manpower Minister Regulation Per 05/MEN/1989 shows that employers must pay a minimum wage. The minimum wage is defined as the lowest subsistence wage which does not include extra wages such as overtime, bonus of production, etc. The minimum wage is fixed according to regional differences. Through the decision of the Minister of Manpower Kep. 42/Men/1992, the minimum wage in Yogyakarta province is-- based on the standard of a working time of 7 hours per day or 40 hours per week-- 1250 rupiahs per day.

The daily wage rate for male production workers in the manufacturing sector, including textile industries, of Yogyakarta

**Table 4.2 Daily Wage Rate of Production Workers in Textile, Clothing and Leather Industries  
(Rupiahs)  
1987 & 1988**

Sex	November 1987	November 1988	Relative Change %
Male	2310	2442	5.71
Female	1879	1964	4.52
Male + Female	2080	2187	5.14

Source: Wage Rate of Production Workers by Occupation 1988, Central Bureau of Statistics, Indonesian Statistic 1990. This data is a part of Daily Wage Rate of Production Workers In Manufacturing Industry

**Table 4.3 Daily Wage Rate of Production Workers in  
Manufacturing Industries, Provinces of Java  
(Rupiahs)  
1987 & 1989**

Province	Sex	November 1987	November 1988	Relative Change %
DKI Jakarta	M	3740	4104	9.73
	F	2584	2736	5.88
	M+F	3338	3627	8.66
West Java	M	2976	3118	4.77
	F	2217	2317	4.51
	M+F	2615	2732	4.47
Cental Java	M	2334	2426	3.94
	F	1281	1347	5.15
	M+F	1751	1830	4.50
YOGYAKARTA	M	1864	2019	8.32
	F	1442	1501	4.09
	M+F	1759	1869	6.25
East Java	M	3104	3279	5.64
	F	1719	1836	6.81
	M+F	2527	2672	5.74

Source: Wage Rate of Production Workers by Occupation 1988, Central Bureau of Statistics, Indonesian Statistic 1990. Data for provinces outside Java has been excluded.

province is lower than in other provinces of Java. Female workers, however, receive higher wages than those in the province of Central Java. This aggregate data demonstrates that daily wages between men and women are different in the provinces of Java. Men earn significantly more than women. Although Yogyakarta production workers receive lower wages than those of other provinces, their average wages are still higher than the minimum wages determined by the government. This aggregate data does not show the actual payment of workers at the firm level. Therefore, the empirical data at the firm level has to be analyzed.

PT."J" and PT."H" Tex apply different systems of payment. The



management of PT."J" Tex pays monthly wages. This monthly payment, according to the firm's regulations, consists of the basic wage, incentives, and the bonus for the production record. The management provides incentives for worker based on their discipline at the work place, obedience, and loyalty to the company management. The bonus for the production record will be given by the management to workers in the case of overfulfilling the respective target.

In reality, workers receive the basic wage and an incentive, while a bonus has not been given by the management. The person who is responsible for evaluating the workers' performance at the work place is the foreman or group leader. The following is a statement by one of the foremen on this evaluation process:

Group leaders have found a consensus to give the workers a better evaluation in order to help them to improve their income. This is necessary because their wages are so low.

The behaviour of group leaders concerning the evaluation of workers can be understood as a protest against the management which is out of the control of the latter. This is clear indication for the fact that non-functioning workers' organizations will result in "hidden issues" unfavourable for the management. Although there is a workers' organization in PT."J" Tex, this organization fails to make the management improve the conditions of wage. The management tends to emphasize restrictions of the market. The argumentation of the President Director for denying an increase in wages runs as follows:

If you ask me for my pencil, I can't give it to you because I have only one. Sure, I can give you one if I have many of them. This means that the firm will give you the best facilities if the market is well developed. You know, we don't sell our products by "cash and carry". Customers will pay two or three months after taking the material. For this reason, we have to apply the principle of mutual help in the company.

This argumentation does not satisfy the workers. One of the workers commented the following about the President Director's argument:

I think the management won't announce if the firm makes good profit. The problem of market expansion is the problem of market management. This is not a problem of workers. If the process of production is slow and the quality of the products bad, this is a

result of the ignorance of workers. In order to change this, workers' performance has to be controlled.

"Mutual help" is understood in a different way by workers and employers. For workers, it means to help them to improve wages, although this might damage the employer. The employer, in turn, tries to make workers accept low wages through the instrumentalization of cultural values.

There are two types of workers' payment in PT."H" Tex. The management pays piece rates (*upah borongan*)<sup>18</sup> for workers, while the machine operators are paid daily wages. The basepay in this enterprise is 900 rupiahs with 8 working hours per day. Besides the basepay, the management provides them with an incentive of 200 rupiahs per day if they conduct their work carefully. Every month workers will receive a bonous of production record, if the result of production exceeds a certain target. Their right to receive the bonus will be lost, if they do not conduct their work carefully or absent more than three times in a month. They obtain 50% of the bonus with two absences in a month.

Other facilities than can be considered as part of the wage include the meals. Both companies provide meals for workers in the company's cantin. The management of PT."H" Tex subsidizes the meals with 150 rupiahs per worker and the management of PT."J" Tex with 200-250 rupiahs per worker. Workers do not pay for meals provided by the management. Workers in PT."H" Tex are paid by the company every other week.

Although the wages of workers in PT."J" Tex are above the standard of minimum wage, in reality, 11.7% of the workers earn a wage which is below the minimum wage. This percentage is smaller than in PT."H" Tex where 28.7% of the workers earn below the minimum wage. The wage described in Table 4.4 is the monthly real wage. Workers' wages do not only include the basepay but also extra wages such as payment for overtime, incentives, etc. The percentage of

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<sup>18</sup>. The term of *upah borong* or piece wage rates refers to a payment based on a piece of fabrics/material. Weavers earn money depending on how many meters of material they have weaved. The management will pay the workers based on this system if weavers exceed the standard of base pay. The management will apply the daily wage system if weavers do not exceed the standard of the base pay.

workers whose earnings are above the minimum wage differs between PT."J" and PT."H" Tex. The number of workers who earn more than the minimum wage in PT."J" (88.3%) is higher than in PT."H" Tex (71.3%). Although the wages of more workers are above than below the standard of minimum wage, the basepay, for instance of workers in PT."H" Tex, is below the minimum wage determined by the Minister of Manpower in order no. Kep.42/Men/1992. Thus, employers still violate the existing regulations on wage.

**Table 4.4 Monthly Wage of Production Workers at Textile Company (PT."J" and PT."H" TEX)**

	PT."J" Tex	PT."H" Tex	Row Total
< 31,250	11.7 %	28.7 %	22.9 %
31,250 - 51,249	75.0 %	67.8 %	70.3 %
51,250 - 71,249	13.3 %	3.5 %	6.8 %
Column Total	100.0 %	100.0 %	
	34.3 %	65.7 %	100.0 %

Source: Researcher's own data of 175 cases

There is a distinction between wages of male and female workers, although it is not too significant. 54.3 percent of the sample of workers in PT."H" Tex are female. Table 4.4 demonstrates that 22.9 percent of the workers in both companies have earnings below the minimum wage. Out of these, 82.5 percent work in PT."H" Tex, while 17.5 percent work in PT."J" Tex. The large majority of workers in the latter company are male. Although workers who earn between 31.250 - 51.249 rupiahs (70.3 persen) are more in PT."H" than PT."J" Tex, workers who earn more than 51.250 rupiahs are more in PT."J" than PT."H" Tex. This means that wages of male workers are generally higher than that of female workers.

The punishment for violations of the wage regulations, i.e., a fine of 100.000 rupiahs, makes violations profitable for the employers. For example, there are 500 workers in PT."H" Tex out of which 30% are

paid 300 rupiahs less than the minimum wage. This means that the employer obtains a profit of 45.000 rupiahs per day and can pay the fine within three days. The decision of the Minister of Manpower no.Kep.42/MEN/1992 dates from March 1.1992. Until the end of my field research in December 1992, the basepay of workers in PT."H" Tex did not change, whereas in PT."J" Tex, according to information given by the workers, the management had plans to increase their wages. The stance of the management of PT."H" Tex with regard to an increase of wages is related to its position as a renter. The costs of production are high since both rent and wages are part of them.

Since the amount of wages is not sufficient to satisfy basic needs, a number of workers use credits of food and money from the cooperative within the company or from shops outside of it. Workers usually pay back these credits after obtaining their wages. Their take-home pay is lower than their real wages, because their earnings will be reduced by paying back credits. Based on my data, the percentage of workers whose take-home pay is below the minimum wage is 33.7%. This means that the number of workers who obtain less than the minimum wage increases by 10.8% (from 22.9% to 33.7%). The percentage of workers with a take-home pay below the minimum wage consists of 4% with no take-home pay at all (i.e., all the money is eaten up by credit installements) and 29.7% with a take-home pay between 1,000 and 31,249 rupiahs. A worker of PT."J" Tex provided the following information:

Workers compete to get a credit from the cooperative in order to fulfil their needs, since their wages are so low. If they cannot borrow money from the cooperative, they will usually take food or cigarettes and sell it to other persons outside the company. They usually sell below the price of the cooperative in order to get cash.



**Table 4.5 Monthly Wage of Production Workers and the Size of Households in PT."J" and PT"H" Tex**  
(in Rupiah)

	< 31,250	31,250 - 51,249	51,250 - 71,249	Row Total
None	30.0 %	30.9 %	8.3 %	29.1 %
1 - 2 persons	40.0 %	24.4 %	8.3 %	26.4 %
3 - 4 persons	25.0 %	33.3 %	50.0 %	33.1 %
5 + persons	5.0 %	11.4 %	33.4 %	11.4 %
Column	100.0 %	100.0 %	100.0 %	
Total	22.9 %	70.3 %	6.9 %	100.0 %

Source: Researcher's own data of 175 cases

**Table 4.6 Monthly Minimum of Physical Needs**  
**in Yogyakarta Province (Rupiah)**  
**1985-1989**

Categories of Workers	1985	1986	1987	1988	1989
Unmarried Workers	39754	41962	43850	48659	48659
Married Workers with 2 Children	83666	89984	107626	124560	130571
Married Workers with 3 Children	103485	110111	131990	154376	161939

Source: Department of Manpower, Indonesian Statistic 1990.

The problem of wages in industrial companies becomes evident, when this issue is related to the household size and the monthly minimum wage to cover physical needs. Table 4.5 shows the relationship between the wage level and the number of household members in workers' families. There is a correlation between the amount of wages and the size of households. The higher the wage of workers, the more family members they can support. Table 4.6 demonstrates the monthly minimum of physical needs in Yogyakarta Province from 1985 to 1989. This table shows that the monthly minimum of physical needs for unmarried workers in 1985 was higher than the minimum wage determined by the Minister of Manpower in 1992. Thus, the size of the officially fixed minimum wage lags behind the development of the necessary minimum wage to satisfy physical needs for about ten years.

What does this lag mean in the context of Pancasila Industrial Relations where the government is defined as protector of both workers and employers? 70 percent of workers both in PT."J" and PT."H" Tex had earnings above the official minimum wage (31.250 - 51.249 rupiahs per month), but the monthly physical minimum need for unmarried workers in 1989 was already higher than this wage level. Paying an attention of the physical minimum need from 1985 to 1989 increases every years. This can be assumed that the physical minimum need in 1992 is more higher than the previous years. Out of those 70 percent workers who earned above the minimum wage, 33.3 percent had to support 3 or 4 and 11 percent more than 5 family members. This means that workers should require the minimum wage to cover physical need in 1992 was more higher than the physical minimum need in 1989, because the physical need increases every years. The share of workers who earned 51,250 to 71.249 rupiahs was 6.9 percent. Out of those, it is only 8.3 percent can covered the physical minimum need because they did not support the family.

The material situation of workers is very serious. They do not only have to support their nuclear family but also other family members such as parents, brothers, sisters, etc. The regulations on the minimum wage are not obeyed by the management, whereas the minimum wage itself is not sufficient to satisfy basic needs. The government should not only pay attention to the fact whether

companies obey to minimum wage regulations but also whether the minimum wage is sufficient to satisfy basic needs. Workers find it difficult to satisfy the basic needs of their families. They cannot depend on wages obtained through factory work for covering these needs. Besides working in the factory, they also work in other sectors. This issue will be analyzed in Chapter 7.

### **Social Insurance Provisions by the Company**

Law no. 14 of 1969 about "the social security of the workforce", regulates the workers' rights in industrial relations. Workers and employees have a right to obtain provisions for security, health, moral protection, and services in accordance with human rights. These provisions are re-emphasized by government regulation no. 33 of 1977 about "the social security of the workforce" (Asuransi Sosial Tenaga Kerja/ASTEK). According to this regulation, ASTEK is defined as system to protect workers and employees against the various social risks involved in work. These risks include the loss of income as a result of accidents, illness, unemployment, old age, childbirth, and conflicts between employers and workers, etc.

The government order no.33 of 1977 only regulates work accidents, old age, and death, while health and childbirth are regulated by the Manpower Minister's regulation no.Per-02/Men/1984. The decision of the Manpower Minister no. Kep-869/Men/1986 regulates the issue of unemployment. This decision emphasizes the financial support for workers who participate in ASTEK. Workers will be supported by the State Insurance Company (Perum ASTEK), if they are temporarily unemployed or looking for employment. The amount of this financial support is regulated by the insurance service. Violations against the laws on social security will be prosecuted and punished. The punishment is similar to the one previously mentioned, namely a fine of 100.000 rupiahs.

Not all companies carry out social insurance provisions for workers, although they are obliged by law to provide it. Based on law no. 14 of 1969, employers have to guarantee premium insurance for

work accidents. The lowest of this premium is 0.24 percent of the wage (article no. 5). This is similar to the death and health insurances that have to be paid by employers for their workers. The employer himself has to pay a premium of 0.5 percent of the wage for the death (article no.13), while the health and childbirth premium to be paid by the employer amount to 7 percent of a worker's wage (article no. 10 of Manpower Regulation no. Per-02/MEN/1984). The health and childbirth insurance is not only for the workers themselves but includes his immediate family members. Workers are obliged to pay 1 percent of their wages as premium for the old age insurance, while 1.5 percent must be paid by the management.

PT."J" and PT."H" Tex do not follow all of the above-mentioned regulations. Both enterprises provide external work accident and old age insurances for their workers (Perum ASTEK), while health and childbirth insurances are regulated by the companies themselves. Although the former types of insurance are carried out by the management through Perum ASTEK, a number of workers in are not insured. One of the committee members of the workers' organization in PT."J" Tex explained that the insured workers have been employed by the company since the former management. The insurance premium is still based on the previous wage and, therefore, is not in accordance with the present wage rate.

**Table 4.7 Workers' Participation in Social Insurance Provisions in PT."J" and PT."H" Tex**

	PT."J" Tex	PT."H" Tex	Row Total
Wokers without Insurence	5.0 %	35.7 %	25.1 %
Insured Workers	90.0 %	56.5 %	68.0 %
Unknown	5.0 %	7.8 %	6.9 %
Column Total	100.0 %	100.0 %	100.0 %

Source: Researcher's own data of 175 cases



Although the management of PT. "J" Tex claims that all workers will be insured after working for 2 years in the company, in reality, the management does not accord with this regulation. The committee members of the workers' organization inquired to the management about this matter, but they did not succeed to change the management's decision. The management is in doubt whether the new workers will continue to work in their company or whether they will find jobs in other companies.

Whatever the reasons of the management, their behaviour clearly violates the government's regulations. The article no. 4 of the government regulation no. 33 of 1977 states that workers and employees must be provided by their companies with work accident, old age, and death insurances. They have to participate in the social insurance program which is organized by the state insurance company (Perum ASTEK). My data reveals that in PT."H" Tex as well a large number of workers have not been insured according to the government's regulations.

Since the regulation of the Manpower Minister no. Per-02/Men/1984 does not require employers to insure their workers in the Perum ASTEK, health and childbirth insurances are organized by within each company. Regulations emphasize that health and childbirth insurances include members of the nuclear family, i.e., spouses and children. In reality, however, health insurance is only applied to workers themselves. In both companies, workers will receive 5000 rupiahs for medical treatment in the case of illness, although the actual costs of treatment might be much more expensive. The health insurance at present is lower than during the former management. One of the workers in PT."J" Tex mentioned to me:

The former management gave us health insurance for our wives and children, but now the management insures only workers themselves.

A deterioration of health provisions also seems to have taken place in PT."H" Tex. The former management employed a doctor to look after the health of workers. The medicines were provided by the company. Now, these facilities have disappeared and workers themselves contribute

100 rupiahs in every payment period (two weeks) to buy medicines. This initiative came from the work groups. In case of headaches, stomach-aches, etc. workers do not consult a doctor but treat themselves with the available medicines. This workers' initiative is appreciated by the management and pointed out as an example of "mutual help".

The described violations of labour laws and regulations can not only be found in the two textile factories but are typical for labour relations in the manufacturing industries of Indonesia. The working time in sport-shoe-producing companies in West Java, for instance, was 10 hours per day in 1992. Workers work from 7.30 a.m. to 5.30 p.m., including one hour of meal break two hours of overtime. The management does not pay the workers for the meal break and workers are obliged to work overtime. Wages are below the government minimum wage except for workers who have worked more than a year in the company. Minimum wages are not sufficient to satisfy basic physical needs in a large number of Indonesian provinces such as Aceh, North Sumatra, Jambi, Jakarta, Central Java, Yogyakarta and South Sulawesi <sup>19</sup>.

### **Labour Inspection of the Manpower Department at the Provincial Level**

The term of labour inspection has been used in Indonesia since the colonial period. Although there existed an office of labour inspection (*Arbeidinspectie*) at that time, the function of this office was unknown to employers in a large number of enterprises. A labour inspector (*Arbeidinspecteur*) had no close contact to workers. This is hardly surprising since weak labour protection was a characteristic feature of the Dutch colonial economy. In 1948, the government of the independent Indonesian Republic passed the law of labour inspection (Law no. 23/1948) which was reinforced by the law no. 3 in 1951. The

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<sup>19</sup>. The research on the shoe industry was conducted by Juni Thamrin: "Pekerjaan dan Kondisi Pekerja Dalam Industri Sepatu", while the data on the minimum wage and the basic physical needs is quoted by Danu Rudiono from the Central Bureau of Statistics (both PRISMA, 1990, No. 1, Tahun XXI Januari 1992, LP3ES, Jakarta)

main aim of this law is not only to control the implementation of labour laws but also to collect information on workers needs as a basis for designing new laws and regulations.

The present situation in many ways resembles the one during the colonial period. Labour inspectors rarely enter into close contact with workers. Workers do not know about the existence of labour inspectors who are supposed to assist them in the solution of problems. The inspections have little impact at the "grassroots" level. Labour inspectors usually only visit the management board to gather information. During an inspection of PT. "H" Tex, for example, a female worker was interviewed by the labour inspector in the presence of members of the management. According to the woman's information, the management had previously asked her to answer the questions in line with the opinions of the management. The relationship between labour inspector and management is of a "theater-like" quality. Information will reflect the interests of the management.

The way of carrying out "labour inspection" points to its weak position in Pancasila Industrial Relations. The Department of Manpower uses two terms of inspection. First, indirect inspection means to acquire information through mass media and reports of workers. Secondly, direct inspection is carried out by inspectors who directly visit the enterprises. Because of a lack of inspectors each enterprise is only inspected once a year. Thus, the irrelevance of labour inspection is emphasized by its low frequency.

More important than its frequency, however, is the quality of the labour inspection. In other words: the true questions are how the labour inspector can find accurate information on violations and how these violations can be legally persecuted. In reality, some violations which are unfavourable for workers are categorized as "unimportant" violations. One gets the impression that labour inspectors have close relations to the management rather than to the workers. The relationship between employers, workers and labour inspectors is an interesting phenomena which needs more specialized research.

## Summary

The question how governance structures such as markets, states, associations, and clans or communities influence the management of workers is differently answered by Schmitter & Streeck and Ouchi. The above-mentioned governance structures combine with each other in the determination of economic action (Schmitter and Streeck). Ouchi, on the other hand, states that these governance structures are alternating and replace each other in the case of failure. Markets can fail to determine the recruitment of workers through contractual relations and, therefore, be taken over by the company's bureaucracy. In the case of the firm bureaucracy's failure to determine economic action, the community or "clan" can take over the position of the bureaucracy.

In the analysis of working conditions such as working time, wages, and insurance different governance structures have to be considered. Among these are the government, the firm management, workers' organizations and cultural values of the local community. The government and the firm management are strong mechanisms for the control of working conditions, while the organization of workers themselves plays no important role. The government does not function as a protector of workers' interests, but usually supports the position of employers. In this sense, government and employers cooperate to manage working conditions. For this purpose, they frequently instrumentalize cultural values emphasized in Pancasila Industrial Relations such as harmony, consensus, and mutual help. These values are used to control both workers and workers' organizations. Thus, the poor quality of working conditions in Indonesia is a result of disfunctioning workers' organizations which are unable to contribute to the improvement of working conditions.

The government often categorizes violations of labour laws by enterprises as "unimportant". Thus, in reality, the number of violations is much higher than the number of verdicts. The high frequency of labour violations is a characteristic phenomena of industrial relations in Indonesia. The violation of working time regulations, minimum wages, and social insurance provisions is highly profitable for employers. The existing legal punishments are not out of proportion to



the profits gained by the companies from the violations. Official labour inspectors do not play an important role in the protection of workers' rights. Labour Inspectors have no close contact with workers and mostly abide with the interests of the management. This is a clear indication that government and firm management cooperate and that the government can not be perceived as protector of the workers.

Although the formation of workers' organizations and trade unions (PUK SPSI) in each company is supported by the government, in reality, these organizations are strongly controlled by the firm management and the government. The intervention of security guards (police) in labour disputes stands for the system of control applied by the government. Additionally, not all companies allow their workers to form organizations and to elect the leadership of these organizations independently from the management. In contrast to legal regulations, a large number of factories have no workers' organizations at all.

Poor working conditions are a result of management decisions which are supported by the lacking implementation of laws and government regulations. Because of the large number of labour violations with regard to working conditions, harmony as a cultural value has to be understood as camouflaging the interests of the management. Consensus is an instrument to integrate workers into the firm and to control workers' organizations. Mutual help is not understood in the sense of being similarly rewarding for employers and workers. It is used as a lever to increase workers' productivity and employers' profits but not to improve working conditions in accordance with economic development and workers' needs. Working conditions remain poor, while profits accumulate in the hands of the employers. Cultural values in the context of Indonesian labour relations are an instrument of domination propagated by elites - including both state officials and private employers - through the concept of "Pancasila Industrial Relations".

## CHAPTER 6

**ORGANIZATIONAL CONTROL: BETWEEN HARMONY AND  
THE EMERGENCE OF INDUSTRIAL CONFLICT****Introduction**

As was mentioned in the second chapter, the pattern of organizational control in PT."J" and PT."H" Tex is more personal than hierarchical. Share-owners occupy positions as members of the management. In the case of PT."J" Tex, although the post of Finance Director occupied by a share-owner is structurally under the President Director who has no share in this company, the former plays an important role in decision-making and controls others. In PT."H" Tex, since share-owners in the former management cannot operate the company, the top management post is occupied by the renter. Both textile companies are sole-proprietorship enterprises within which organizational control rests in the hands of share-owners.

Organizational control is also described in the third chapter with regard to the way in which working conditions are managed by these companies. In reality, the management alone decides on working conditions without being controlled by other institutions. The state protects employers rather than workers. This chapter will address the emergence of industrial conflicts which take place in both textile firms.

The term industrial conflict refers to conflictual relations between owners or employers and management on the one hand and working people on the other. Industrial sociologists generally agree that industrial conflicts have various manifestations. Conflicts such as strike, sabotage, restriction of output, non-cooperation, etc. may occur on an individual or collective basis <sup>1</sup>. All of these are conflicts which openly appear in industrial relations. Other ones are "concealed" or "hidden" and are known as "latent conflict".

My analysis of conflicts will cover both manifest and latent

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<sup>1</sup>. Nicholas Abercrombie and others, *The Dictionary of Sociology*, The Penguin, London, 1984, p. 121.

conflicts in industrial relation. The latter usually emerge where strong organizational control attempts to dominate or subordinate workers. In the case of dysfunctioning worker organizations at the plant level and their failure to articulate workers' interest, conflicts between employers and workers tend to be more "hidden" than open. A refusal to adjust the organizational structure will lead to the inevitable accumulation of latent conflict which will maximize the chances of violent outbreaks against the respective structure <sup>2</sup>. The emergence of conflict about religion, ethnicity, and diverging interests will be analyzed in this chapter.

### **Conflicts about Organizational Control**

During the period of the Industrial Revolution in European countries, there were at least two different theoretical perspectives which coloured social scientists' thought. On the one hand, they saw society as a unity which was in harmonious integration, while, on the other hand, they paid more attention to social conflict as an important elements in social relations.

The concept of harmony or 'equilibrium' has a long tradition in sociological theory. Comte, one of the founding fathers of sociology, saw individual interests as capable of working together in harmony. Industrial people were perceived as unity of both workers and owners <sup>3</sup>. In Spencer's view, industrial society is characterized by a twofold process of differentiation and integration.

Society was becoming differentiated into mutually dependent elements. These integrating elements were of three types: the sustaining system, which refers to industrial and agricultural production, the distribution system which relates to forms of

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<sup>2</sup>. Lewis A Coser, *Conflict: Social aspects*, International Encyclopedia of Social Sciences, edited by David L. Sills, The Macmillan Company & The Free Press, 1968, vol 3, p. 235.

<sup>3</sup>. In that regard, Comte follows Saint-Simon who considered *industrielles* as unity of both owners and workers. I translate the word *industrielles* by industrial people. See Stewart Clegg and David Dunkerley: *Organization, Class and Control*, Routledge & Keagan Paul, London, 1980, p. 9

communication and exchange, and the regulatory system which controls society through the government and military spheres. As these systems become more differentiated, through, for instance, increases in the division of labour in the sustaining system, then the distribution system of communication also grows to integrate the whole with the increase in the division of labour and communications. Political authority will become more centralized. All the part of the whole, the three systems, are in an evolutionary homoeostasis or equilibrium.<sup>4</sup>

The evolutionary framework of Durkheim's work has little in common with Spencer's evolutionism. The emergence of organic solidarity in industrial society replaced mechanical solidarity. Organic solidarity represents a harmonious social existence. This harmony can only be achieved through 'proper regulation'. Legal regulations are supposed to integrate society.

The relationship of social solidarity corresponds to general systems of control, and the law in particular. The transition to enacted law signifies the objective index of the progress of the division of labour; for the emergence of restitutive rather than repressive law is testimony to a decline of the mechanical solidarity of the conscience collective and the emergence of organic solidarity under the increasing division of labour<sup>5</sup>

According to Durkheim, the division of labour is a social system based upon cooperation rather than conflict. The conflict situation is explained by abnormal division of labour or pathological forms. In the last instance, the integration and harmony only occurs when a society is based on a system of industrial organization.

Concerning the way in which society is established as a harmonious form there is an important intervening variable, namely 'the system of control'. Spencer saw that the government and military spheres were institutions which control society, while Durkheim contended that regulations or law constituted the general system of control. Durkheim also argued that the most capable persons should function as regulators<sup>6</sup>. Both of them maintain that control is solely

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<sup>4</sup>. Ibid, p. 17

<sup>5</sup>. Ibid p. 26

<sup>6</sup>. Ibid, p.23



undertaken by a group or person who has authority, whether this is a government official, military group, member of a company management, employer, or owner.

In industrial relations 'control' is understood as corrective action of the management towards the workers. The Principle of Scientific Management developed by Taylor starts with the basic assumption that people are generally reluctant to work and will attempt to get away with doing the minimum <sup>7</sup>. This assumption legitimizes a system of control based on domination. Reeves and Woodward notice in the literature relating to organizational behaviour that 'to control' can also mean to direct. They define control in relationships to a particular task.

Control refers to the task ensuring that activities are producing the desired results. Control in this sense is limited to the monitoring, the outcome of activities, reviewing feedback information about this outcome and if necessary taking corrective action <sup>8</sup>.

By this definition, the word control can also be understood as corrective action from working people to the management or employer. During the mid-twentieth century, 'social control' was used as a label for what one class does to another. In the classical sense, it referred to the capacity of a social group to regulate itself. The term of control then has been redefined to mean either socialization or repression <sup>9</sup>. In reality, however, control takes place from top to down or from the dominant class to the subordinate one, from government to society, from landlord to peasants, from employer to employees or labourers. This means that control represents a "one-way traffic" which is dominated by the interest of one of the involved groups.

Conflict, in my view, will occur when the subordinate group or class struggles to defend its own interest, in other words, when the

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<sup>7</sup>. Ibid, p. 87

<sup>8</sup>. Tom Kynaston Reeves and Joan Woodward, *The Study of Managerial Control in Industrial Organization: Behaviour and Control*, edited by Joan Woodward, Oxford University Press, 1970, p. 38.

<sup>9</sup>. Eileen and Stephen Yeo, *Ways of Seeing: Control and Leisure Versus Class and Struggle*, in *Popular Culture and Class Conflict 1915-1919: Explorations in The History of Labour and Leisure*, edited by Eileen and Stephen Yeo, The Harvester Press, Sussex, 1981, p.130

working class counters the control exerted by the class of owners. Thus, conflict turns control into a "two-way traffic". It is no longer only the top which controls the bottom, but also the bottom which controls the top in industrial relations. Conflict certainly cannot be ignored in industrial relations.

In Hobbesian terminology, conflict, whether it be waged for gain, for safety or for glory, "ceaseth only in death" <sup>10</sup>

Max Weber demonstrated that conflict cannot be excluded from social life. 'Peace' is nothing more than a change in the form of conflict or in the antagonists or in the objects of conflict, or finally in the chance of selection <sup>11</sup>. Dahrendorf contends that all social life is conflict, because it is change <sup>12</sup>.

The term of conflict of interest which has been developed by Karl Marx points to the fact that conflict is based on class interests. He emphasizes that class interests is related to economic factors.

The substance of class interests insofar as they are based on the economic positions of given groups, can be expressed in various ways. To begin with, the immediate interest of the proletariat is the wage, that of bourgeoisie the profit; and here once again we have to distinguish the two great categories into which the interest of bourgeoisie is divided -- landownership and capital<sup>13</sup>.

Conflict between two groups, however, has several aspects. It is not only based on economic interest but also includes cultural values, religious affiliation, and ethnic sentiments. Although the latter ones are of lesser importance than the former, they cannot be excluded in production relations where the owners or employers have a different religion or belong to a different ethnic group than the workers. The development of Southeast Asian society, according to Evers, is

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<sup>10</sup>. This statement is quoted by Lewis A Coser in *The Study of Social Conflict*, The Free Press, New York, 1967, p. 37

<sup>11</sup>. Max Weber quoted by Coser, 1967, op cit p.232

<sup>12</sup>. Ralf Dahrendorf, *Gesellschaft und Freiheit*, Munich, R. Piper & Co, 1961, p. 235.

<sup>13</sup>. Karl Marx, see Ralf Dahrendorf in *Class and Class Conflict in Industrial Society*, Stanford University Press, California, 1959, p. 15

characterized by a changing pattern of conflict, that is, initial ethnic conflict is transformed into class conflict <sup>14</sup>. His thesis on South-East Asian societies is described as follows :

It is my thesis that South-East Asian societies have already developed or are in the process of developing a rather specific type of class structure and that this class structure and its inherent conflict provide the frame work within which political activities and economic effort, will have to take place <sup>15</sup>.

It is clear that harmony and conflict are the fundamental elements in social relations. Following Coser in his argumentation, wherever there is conflict or disruption there will also be social forces that press toward the establishment of some new kind of equilibrium <sup>16</sup>. Whatever the structure of society, whether it be flexible or rigid, conflict cannot be ignored. In the flexible one, conflict allows progressive rearrangements in its structure. The labour movement in capitalist societies through strikes, protests, etc. does not destroy their social system. Instead, it leads to improvements in working conditions. Conflict cannot be eliminated, but through negotiation and bargaining, it can be avoided. In rigid societies, on the other hand, the dominant control effects the accumulation of latent conflict which, in the end, can turn into open conflict. This is more harmful to the social system.

As I mentioned in the previous chapter, the Indonesian government propagates harmony and consensus as the state ideology which is also applied to industrial relations. The system of domination needs those values for legitimizing its subordination of deviating interests. In this sense, control is conducted from top to down or from management to workers. The control as corrective action which emerges from subordinate groups to the dominant ones is understood as 'disruption'. The stronger the countervailing pressure of workers the

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<sup>14</sup>. Hans-Dieter Evers, *Ethnic and Class Conflict in Urban South-East Asia*, in *Sociology of South East Asia*, Reading on Social Change and Development, edited by Hans-Dieter Evers, Oxford University Press, 1980, p. 123

<sup>15</sup>. Hans-Dieter Evers, *Group Conflict and Class Formation in South East Asia*, in *Sociology of South East Asia*, Reading on Social Change and Development, Oxford University Press, 1980, p. 248

<sup>16</sup>. Lewis A Cocer, 1967, *op cit*, p. 10

more latent conflicts will develop and the more open conflicts will take place in future.

### **Understanding Industrial Conflicts in Southeast Asian Societies**

The pattern of industrialization in contemporary developing societies is different from the one which could be observed in the "early industrializers" like Britain, France, Germany, and the United States. In Western countries a wealthy class of merchants and entrepreneurs provided the capital and know-how. This is rarely the case in present-day developing countries. In the latter, the state becomes the primary agent of industrialization<sup>17</sup>. The principle of harmony and 'peace' in industrial relations in Southeast Asian countries is strongly related to the peculiar process of industrialization in these societies where the state plays the dominant role. The state emphasizes political stability as a prerequisite for successful economic development.

Political stability is understood as an important precondition for the attraction of foreign investors. Harmony and 'peace' in industrial relations are the paramount aims to be achieved by the political rulers. Do these principles serve to prevent the emergence of conflicts in industrial relations? Which kinds of conflict prevail in these relations? The present chapter will try to answer these questions.

Although Southeast Asian countries reveal similar principles of industrial relations, these are differently applied. It is interesting to understand how the principle of harmony is realized by those countries which tolerate conflicts between employers, workers, and the government. Labour disputes are one type of industrial conflict which I will illustrate below.

**Malaysia :** After gaining independence from Britain in 1957, labour organizations were still considered powerful and seen as a threat to the government. Therefore, the government did not agree with the existence of big Unions. Although labour organizations were perceived by the government as a threat, these organizations had a right to

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<sup>17</sup>. Andrey Wipper, *A Comparative Study of Nascent Unionism in French West Africa and the Philippines*, Economic Development and Cultural Change, 13, no.1, October 1964, 37



strike. The legal regulations of 1980 stipulate that a lawful strike is a legitimate conflict instrument of labour organizations. Strikes for political purposes or campaigns of solidarity for other workers are banned. The more the government controls labour organizations or trade unions, the more difficult it becomes for workers to carry out any organized protest. However, strikes can still take place illegally. By controlling labour organizations, the ruling elites attempt to fashion the pattern of industrial relations in accordance with the needs of foreign capital investments which are required for the acceleration of the industrialization process.

**The Philippines** : State policy maintains 'peace' and harmony in industrial relations. The laws governing industrial relations provide not only a frame of collective bargaining but also encourage it as the dominant mode of industrial relations. Collective bargaining generally takes place at the plant level. Employers have a legal duty to recognize trade unions. In 1972 strikes were 'banned'. Although the ban was lifted in 1981, strikes or lock-outs affecting essential services were still prohibited. Since the time when strikes have been declared legal, their frequency has generally decreased.

**Singapore** : The principle of harmonious industrial relations is widely accepted. The observable stability and harmony are results of the continued tripartite cooperation between labour, management, and government. While emphasizing harmonious industrial relations, Singapore still recognizes the right to strike. Only the employees of vital services, such as water, gas and electricity are not allowed to go on a strike. Although strikes are legal, work stoppages have sharply declined to an extent that none have occurred since 1977. The unionized trade disputes do not show a marked increase, but non-unionized trade disputes appear to have been increasing. A large number of disputes are related to wages and working conditions.

**Thailand**: The government has been promoting industrial peace as moral of 'social contract'. Tripartism is an important avenue towards harmonious labour relations. Strikes as a weapon of labour

organizations were legally frozen by the government between October 1976 and January 1981. This ban, however, did not prevent workers from going on strike <sup>18</sup>.

The pattern of industrial relations in the described countries is characterized by a situation of conflict. The right to organize strikes in the private sectors, at least in principle, is not banned by the government. Despite the legalization of work stoppages, their frequency has decreased.

Although the question whether the permission of conflicts will lead to peace and harmony in industrial relations requires further study, evidence from several Southeast Asian countries suggests that the toleration of labour conflicts can help to avoid them.

**Table 5.1 The Number of Work Stoppages in  
Southeast Asian Countries  
1975-1982**

	Indonesia	Malaysia	Philippines	Singapore	Thailand
1975	16	64	5	7	241
1976	6	70	91	4	133
1977	32	40	30	1	7
1978	20	26	47	-	21
1979	72	28	39	-	64
1980	198	28	39	-	21
1981	125	24	220	-	54
1982	204	26	85	-	22

Source: Abridged from the tables in Sharma, *Aspects of Industrial Relations in ASEAN* p.48, p.55, p.62, p.67, p.75.

Indonesia deviates from other ASEAN countries in a number of important ways. The government does not tolerate conflicts in

<sup>18</sup> Information on industrial conflicts in Malaysia, the Philippines, Singapore, Thailand, and Indonesia has been abridged from the study by Basu Sharma, *Aspects of Industrial Relations in ASEAN*, Occasional Paper no 78, Institute of South-East Asian Studies, Singapore, 1985, 49-75

industrial relations. The organization of strikes in practice is not accepted, although there is no legal ban. The Manpower Minister argued in a speech held in November 1990 and quoted by the Far Eastern Economic Review that

the right to hold a strike is protected under the constitution, but exercise of that is still not tolerated in Indonesia because it is harmful to all sides <sup>19</sup>.

Harmony and industrial 'peace' are defined as situations which do not lead to the emergence of frictions. This is impossible in social life. The government promotes consensus as the basic quality in relations between employers, workers, and the government. There is no room for opposition or conflict. In accordance with this government ideology, the All-Indonesian Trade Union (SPSI) has been designed as an agent of the government or the ruling political party (GOLKAR). The pattern of Indonesian industrial relations has been described as a 'political pattern' which can be encountered in many of the least industrialized countries. In contrast to Indonesia, industrial relations in Malaysia, the Philippines, and Thailand are characterized by 'the conflictual pattern' which usually evolves in semi-industrialized countries. Singapore reveals an 'accommodative pattern' of industrial relations typical for newly industrialized countries <sup>20</sup>.

Table 5.1 demonstrates that the frequency of work stoppages in Indonesia is highest among all ASEAN countries. Work stoppages are a type of manifest conflict. In the present work, focus is on the analysis of latent conflicts. In a situation where industrial conflicts like strikes are not tolerated and perceived as disturbance of industrial harmony and peace, latent expressions of labour conflicts will inevitably emerge.

Harmony as basic principle of the ruling ideology mainly serves to legitimize the strong control of labour protests by the military government. The case of a labour dispute in PT. Catur Putra Surya, Sidoarjo, East Java, is an example of how the armed forces interfered

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<sup>19</sup>. Adam Schwarz, *Pressure of Work*, Far Eastern Economic Review, June 20. 1991, p. 14

<sup>20</sup>. Basu Sharma, *op cit*, p. 20 and 79.

into the labour movement. On May 4, 1993, workers of this firm campaigned for better working conditions. The day before some workers had organized a strike and managed to persuade their colleagues to participate in this movement. The management of the company approached the military district command (KODIM) for assistance. The day after the protest, thirteen workers were ordered to appear in the district command. The military commander informed the workers that they had to abandon their workplace since the company no longer required their services. At the same time, they were accused of being under the influence of cells of the former communist party<sup>21</sup>. Employers and the armed forces link up in their attempts to controls the workers' movement.

Marsinah is one of the female worker of PT. Catur Putra Surya who initiated the strong protest for an improvement of working conditions. A few days after the start of the labour protest, she was dead. According to workers' information, her corpse was found in the Wilangan forest of East Java. Results of the autopsy revealed that she had been murdered. The exact conditions of her death remain unclear. Was she killed because of her involvement in the labour movement or did she become the victim of a rape? When M., one of Marsinah's friends, entered the factory to go to work, the security guard commented in a cynical way: "Your friend Marsinah is dead. Why don't you visit her?" Investigations on Marsinah's death are still continuing

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The control of workers by government and firm management is one example for the application of the principle of harmony in

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<sup>21</sup>. After 1965, the Indonesian Communist Party (PKI) had been outlawed and dissolved by the New Order Administration. Since then, the term 'communist' is generally used by authorities to label all those persons or groups who are trying to establish independent organizations which might challenge the present regime's monopoly of power.

<sup>22</sup>. Information on the labour protest in PT. Catur Putra Surya has been derived from a declaration of the 'Komite Solidaritas Untuk Marsinah' which has been signed by representatives of Indonesian NGOs in Surabaya on June 4, 1993. This declaration has not been published by the Indonesian mass media. It consists of a chronology of the dismissal of work (PHK) in this firm and of the murder of Marsinah. For additional information on this incident see Danarto "Refleksi Marsinah", *Republika Newspaper*, May 1993. The involvement of the military in labour disputes in Indonesia is scrutinized by the YLBHI report on human rights 1984-85, Jakarta, 1987. See Danu Rudiono, loc cit, p. 80, *PRISMA* no 1, tahun XXI January 1992.



Indonesia which sets it apart from other ASEAN countries. Although under the New Order administration workers are strictly controlled by superordinates, conflicts cannot be excluded from industrial relations. Both latent and manifest conflicts will take place in the future.

Basically, the causes of conflicts can be grouped into four categories: differences of information available to both parties, differences about means, differences about goals, or differences about values. Differences of perception between management and workers are an important factor in the emergence of industrial conflicts. Cooper and Bartlett presented a questionnaire to workers and members of the management. They were asked about their self-images and their perceptions of other groups in the company. The results were as follows: The managers characterized themselves as hard-working, caring, consultative, forward-looking, trusting, decisive, honest, cost-conscious, profit-conscious, tough, and risk-taking. The self-image of the workers was described as sincere, understanding, friendly, trusting, emotional, constructive, rational, democratic, united, aggressive<sup>23</sup>.

Differences in the characteristics of both groups refer to differences of interest. In order to understand industrial relations, one should not ignore conflictual relations as a basic element of social life.

### **Relations between Management and Workers : Conflicts of Ethnicity, Religion, and Interest**

The above-mentioned explanation of industrial conflicts does not include the the aspects of ethnicity and religion. Within the firms that I studied, these features cannot be ignored in an understanding of industrial relations. Although ethnicity and religion differ between employer and workers, they are not basic issues in labour relations. Nevertheless, it is necessary to pay attention to them. Conflicts of interest are more visible, while mutual dislike based on ethnic and religious differences usually remain at a latent level.

Industrial conflicts in PT. "J" Tex and PT. "H" Tex are somewhat

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<sup>23</sup>. Bruce M. Cooper and A.F. Bartlett, *Industrial Relations: A Study in Conflict*, Heinemann, London, 1976, p. 155-161.

different from previously mentioned ones in other provinces such as Surabaya, Jakarta, etc. In these two textile companies, no manifest conflicts like strikes can be encountered. In PT. "J" Tex, for instance, manifest labour protest was carried out without an existing coordinating workers' organization. The motivation of this labour protest was to increase the number of over-time working hours in order to raise the wage level.

In 1991, when a surplus of grey materials was produced by this firm, the management decided to let workers in the finishing department work overtime. Workers in other departments such as knitting and warping protested to the management. They demanded that workers in their own departments should also have the opportunity to work overtime. One of the workers mentioned with regard to this protest.

If workers in only one department work overtime work but not in others, then there will be a discrepancy of wages between different departments of the same firm.

The management did not not accord with the workers' demands to work overtime. After their struggle had failed, the protest was expressed through posters which appeared on the walls of the factory. Not all workers participated in the protest activities; the initiative came from only a handful of them. Thus, organized conflicts such as a strike cannot be carried out in the respective company.

Conflicts between workers and their superordinates occur at a more individual than collective level. Workers often act in a conflictual way when they face their superiors. K. is a worker who has been employed for 20 years in PT. "J" Tex. In early September 1992, the President Director forced him to leave the company. The management had identified him as one of the workers who "disturbed industrial peace". One day, the President Director called him to his room. K. recounted his meeting with the President Director as follows :

PD : Mr. K, how is production at the moment?

K : It's good. I think, it reached a maximum amount.

PD : No Mr. K, we can increase the production still further. You're telling me a lie. Ask the Director of Production about it.

(The Director of Production was also present in the room. He made no comments.)

You always give me wrong information, Mr.K.

K : I don't know what you mean. What's wrong ? If you ask me about an increase of production, it is running well according to me. Anyway, this is not my job. I am just experimenting with new articles developed by this our firm. That's what I'm supposed to do. So, why are you angry? I don't know what you would like me to do. Maybe, you would prefer, if I didn't answer your question.

The actual purpose of this dialogue was to make Mr. K leave the company as soon as possible. The next day, the President Director visited Mr. K. at his workplace. He asked him in a cynical way : "Have you already considered leaving this company, Mr.K. ?" Mr. K replied : "I will think about it during the next couple of days." The President Director added: "No, Mr.K, it would be better to decide right now." Finally, Mr.K had to leave his firm. He started to join his wife as a trader. (See biographical portrait of Mr. K).

Mr. H. has also worked for 20 years in PT."J" Tex. Since the management considered him an "aggressive" worker, he was frequently moved from one department to another. His last place of work was in the warehouse department. Several of the so-called "aggressive" workers were shifted between different tasks because the management were worried that they might disturb the 'peace' of industrial relations. The management tried to prevent an "aggressive" worker from mobilizing his friends against the management. Most "aggressive" workers were skilled labourers with long experiences in the company.

One day, workers in the warehouse had finished loading a truck with materials. This work was controlled by the department head. After finishing their task, they took a rest for a moment. Mr. H was one of the workers who had participated in loading the truck. The President Director passed by in front of the workers who were taking a rest. He angrily addressed Mr. H.:

PD: Why do you sit, Mr. H.?

H: I just finished loading the truck with materials and now my colleagues and I are taking a rest for some minutes. ( *The head of the department was also present. He agreed : " Yes sir, they had just finished their work". The President Director did not reply to the head of the warehouse, but said to Mr.H:*)

PD: Mr. H, would you like to leave this firm?

H: That's alright, if you fire me.

*(Mr.H finally had to leave the company and became unemployed)*

Under different circumstances control by the management can help to increase the effectivity of work. In the cases of Mr. H and K, however, the behaviour of the firm leadership points to conflictual relations between the workers and the management. There are a lot of cases of conflictual relations between individual workers and their superordinates. They are often "solved" by a more or less involuntary departure of the worker from the company. The management forces workers to leave without formally cancelling their contracts. This type of conflict can also be found in PT."H" Tex.

In PT."H" Tex, the way of carrying out conflictual relationships is also more individual than collective. Protests like putting up posters were not reported, although workers are generally not satisfied with existing working conditions. When workers face their superiors, they do not complain about work conditions since these complaints will be answered by statements such as the following one: "If you don't like to work in this company, get yourself a job with better payment. There are many people waiting in line to replace you." Conflictual relations with superiors tend to be expressed through the disobedience to orders.

M. is a middle-aged woman who works as a warping-machine operator in PT. "H" Tex. She also used to lead the group of warping-machine operators. Once, when she was operating the warping machine, the Vice Director passed by her workplace and rebuked her:

VD: This place is very dirty; you have to sweep and clean it.

M : There is no basket, sir. Cleaning is not my job. I am an operator. You should ask a sweeper to clean it.

R. was another female worker in PT."H" Tex. She noticed the different health insurance provisions for ordinary workers and foremen. For the foremen it was easier to receive medical treatment from a doctor than for workers. Since there was only minimum health insurance and treatment by a doctor was expensive, workers preferred just to stay at home and wait for recovery. They considered it unnecessary to visit a doctor as long as the illness could be treated without consultation with a doctor. When R fell ill, she wrote a letter to the foreman asking for



permission to stay away from work. Via M, she sent this letter to the foreman. The latter replied to M.:

F: Do you know Mrs.M that the letter of permission has to be accompanied by the statement of a doctor. *(He looked angry. After reading the letter, the foreman tore it apart and threw it away. He did not pay any further attention to it.)*

M: Why are you angry with me? Did I make a mistake or did R. make a mistake? You should know how difficult it is to find medical treatment, if one has no money. R. tried to be polite; this is why she sent a letter. You can at least pay attention to the fact that she is ill.

Since working conditions in the company are poor, relations between workers and employers are conflictual. Since workers' organizations at the firm level do not function, these conflicts cannot be carried out in a collective way. As there is no open bargaining between workers and employers, conflicts tend to take an individual form. Manifest individual conflicts are restricted to self-assertive workers, while others prefer latent expressions of them. The latter are more dangerous because they can affect the process of work. Results are that workers are no longer serious with their work. Behaviour at the work place will be analyzed in Chapter 7.

Sharp conflicts of interest will also emerge in situations in which employers and management members, on the one hand, and workers, on the other, are distinguished by different ethnic and religious characteristics and affiliations. As was mentioned above, owners or employers are ethnic Chinese. Although the management members consist of Chinese and Javanese, they reveal the same religious affiliation. They are Christians, while the majority of workers are Muslims. Both in PT "J" and PT "H" Tex, Islamic holidays - like Syawalan and Idul Qurban - which used to be recognized by the company leadership were eliminated by the new management<sup>24</sup>.

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<sup>24</sup>. Syawalan in Indonesian Islam refers to the extensive festivities which follow the fasting month of Ramadan. On this occasion, people forgive each other the faults in their previous relationships. Since this event - according to the Javanese calendar - takes place in the month of Syawal, it is known as Syawalan. Idul Qurban is the day of sacrifice. On this day, well-to-do Muslims sacrifice a part of their wealth by slaughtering animals such as goats, cows, etc. The meat is distributed to the poor. This is a symbol for mutual solidarity among Muslims. Its direct effect is that the poor enjoy nourishing food at least once a year.

On Qurban day, workers in both companies used to receive half a kilo of meat. During the Syawalan feast, they had an opportunity to meet with other workers in the company. From the management's point of view of economic rationality, both activities are unprofitable and a waste of resources. The management of PT "J" Tex turned out to be more flexible than that of PT "H" Tex. In PT "J" Tex, the celebrations of these holidays have been replaced by the celebration of Indonesian Independence Day. Workers, however, are generally unsatisfied that the management only grants a check of Rp.75.000 to the best worker. They interpret this as reflecting the economic interest of the management. One reward of Rp.75.000 is by far cheaper than financing the above-mentioned two activities. Workers perception of Syawalan and Idul Qurban is not solely shaped by social and religious values but also by economic interests which focus on the distribution of meat to all workers.

Conflicts of interest, thus, lead to the emergence of religious and ethnic conflicts. Workers start to regard the Chinese management as stingy, distrustful, and not paying attention to workers' religious values. Some workers in PT "H" Tex pointed out that white-collar employees in the company are recruited on the basis of religious considerations. This phenomena can be observed in both textile companies. Conflicts of interest can be hidden behind religious and ethnic conflicts in situations where workers cannot openly articulate their economic interests.

In order to understand conflictual relations in the companies, workers can be divided according to their perception of conflicts. First, there are workers who maintain that they have no conflicts with their superiors.

**Table 5.2 Workers' Attitudes towards the Management**

	PT."J" Tex	PT."H" Tex	Row Total
LIKE	53.3 %	56.5 %	55.4 %
DISLIKE	46.7 %	43.5 %	44.6 %
Column	100.0 %	100.0 %	
Total	43.3 %	65.7 %	100.0 %

Source: Researcher's own data of 175 cases

Their number is larger than that of workers who report conflictual relations. Within this type, one can distinguish between those who are resigned to their fate (*pasrah*) and those who decide to cooperate with their superiors. The latter use this strategy to achieve a better position. This type of workers only pays attention to individual interests. The second group of workers comprises those who have conflictual relation with their superiors. Once again, there are two subtypes. The majority indicates that they dislike the management but do not reveal oppositional behaviour. They encourage their friends to defend the workers' interests against their superiors. Only a minority of the second group of workers displays openly self-assertive behaviour. They often refuse to carry out orders of their superiors which are considered incorrect or inappropriate.

The above-described characteristic are not only influenced by the situation in the factory but also by the living milieu of the respective workers. Although they have generally been socialized by Javanese cultural values, their interpretations of these values differ as a result of different social-economic backgrounds and biographical experiences. Therefore, it is necessary to analyze the workers' milieux in order to understand their different conflict behaviour in the work place. This issue will be examined in greater depth in Chapter 6.

### **Managing Conflictual Relations**

"Harmony" and "peace" in industrial relations are expected by both employers and workers. Yet, in their relationship there are obvious

differences of interest. Since profit-orientation is the paramount interest of a private business, one of the important organizational control mechanisms relates to the avoidance of conflictual relations in the process of production. The avoidance of conflicts often leads to the exertion of pressure on workers instead of attempts to create obedience and loyalty by taking their interests into account.

Owners and members of the management perceive themselves as occupying higher position in the company than workers. The management does not understand workers as partners in the production process. For a long time, workers have been made to believe that they are merely a part of the means of production. The workers themselves are not aware that the owners' success depends to a large degree on their own cooperation. This is shown by an example from PT"J" Tex, where the workers refused to carry out an order of the Financial Director who was considered not sufficiently skilled in the operation of machines. One of the department heads described the Financial Director's stance that since he owns the capital, all of the company is in his hands. This statement indicates that the owner will carry out whatever measures of organizational control are necessary to create "harmony" in the company and to make workers "loyal".

As was previously mentioned, the dysfunctioning of workers' organizations is in accordance with efforts of the management and the government to create "harmony" and "peace" in industrial relations, thereby preventing the development of a labour movement. At the firm level, the ways of recruiting workers through family networks and gate-hiring encourage the homogeneity of workers. This homogeneity is reflected in the fact that the workers originate from similar localities and generally have only little formal education. The recruitment through relatives points to the dominance of personal control over hierarchical one in company organizations. Conflictual relations tend to be individual rather than collective, because the majority of workers do not wish to engage in open conflicts.

The second factor which encourages individual rather than collective conflicts and which causes conflicts to become latent rather than manifest is connected to the ways in which the company leadership manages conflicts. Since workers behave differently in



conflictual relations, cooperative workers are used by the management as instruments to control non-cooperative workers. In another words, the individual interest to find a better position in the company causes them to ignore the interests of their colleagues. K., one of the workers in PT. "J" Tex, explained as follows:

D,KR,B and others are persons who will certainly find better positions by talking badly about their colleagues, including me. KR, for instance, established close relations with his superior to get a better position.

Thus, conflictual relations do not only develop between management and workers but also among workers themselves.

The management often attempts to lure self-assertive workers into cooperation. This is done by offering them better positions or better payment. Although it is difficult to find empirical evidence on that, on the basis of workers' information it can be assumed that these phenomena do exist in Indonesian industrial relations. DR used to be a worker in PT"J" Tex and functioned as a pioneer in the workers' struggle for better working conditions. He chose to leave the company rather than to cooperate with the management. S described DR as follows:

DR paid much attention to the poor working conditions of his colleagues. He has charisma and was respected by all workers. The others hoped that he would not leave the company because there is nobody to continue his struggle for an improvement of working conditions. The main factor which influenced his decision to leave the company was the pressure by the management, since his ideas were regarded as disturbance of harmony in industrial relations. He did not like the management's way of dealing with conflicts by rewarding those workers who help to control self-assertive workers. Some workers are called '*digembosi*'<sup>25</sup>. DR mentioned to me : " S, if only my own salary is increased by the management, I will decide to leave this company to find other work". He is a worker skilled in knitting technology. He was offered more money by the management under the condition that he does no longer

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<sup>25</sup>. '*Digembosi*' is the local term used for those workers who after fighting for their rights have been coopted by the management. In this case, an individual interest has been satisfied by the management. These workers do no longer intend to articulate the workers' aspirations. "*Gembos*" is the Javanese word for deflated.

articulate the workers' interests.

After DR had left the company, S was persecuted by the management for creating labour unrest, although - in 1991 - there were no facts to support these accusations.

On the basis of these findings one can see that labour conflicts are controlled and suppressed by the management in different ways. The management breaks down collective conflicts into individual ones by threatening workers with dismissal.

**Table 5.3 Workers' Perceptions of Management Threats to Dismiss Colleagues**

	PT."J" Tex	PT."H" Tex	Row Total
None	65.0 %	47.8 %	53.7 %
Sometimes	30.0 %	47.8 %	41.7 %
Frequent	5.0 %	4.3 %	4.6 %
Column Total	100.0 %	100.0 %	
	34.3 %	65.7 %	100.0 %

Source: Researcher own data of 175 cases

Since labour regulations state that dismissal by the company has to be compensated with a considerable amount of money, it is the management's strategy to make workers resign themselves.

Relatives of members of the management who are recruited into the enterprise support the company's attempts to control workers - a fact which aggravates conflicts in labour relations. Social jealousy between production workers and administrative staff which mostly comprises close relatives of the management extends to different facilities including wages. The production workers notice that administrative officials are easy-going (*santai*), reading newspapers, chatting, discussing lottery results, etc. White-collar employees are generally only high-school educated and, therefore, not much different from some of the production workers. Yet, administrative employees receive higher salaries than production workers, although some of the former are only recent recruits.

Conflictual relations among workers themselves make it easy for the management to control those workers who behave in an "uncooperative" manner. In my view, many conflicts among workers are in fact created or reinforced by the management. In a situation like this, collective conflicts between workers, on the one hand, and owners and the management, on the other, can hardly emerge. Workers have no collective power vis-à-vis the management. Labour becomes weak without functioning organizations of workers. Individual forms of labour conflict are much more easily controlled by the management than collective ones.

The management's strategy of avoiding open conflictual relations necessarily leads to the development of latent types of conflict. These conflicts will sooner or later impede on the process of production an issue which will be analyzed in the last chapter. One way of avoiding individual labour conflicts is to coopt rebellious workers by offering them better payment or positions. In PT "H" Tex, "cooperative" workers are rewarded by the management with better health insurance. Although the management might be quite successful in suppressing or "covering" open conflictual relations, both individual and collective ones, it will eventually be confronted with latent conflicts that might lead to even more severe consequences.

## Summary

The Indonesian government under Suharto's "New Order" propagates "harmony", "peace", and "consensus" as essential Indonesian cultural values which - among others - have been integrated into the state ideology of Pancasila. Although the political elite claims that these values are genuinely Indonesian and particular to Indonesian society, similar notions also coloured sociological thinking in eighteenth-century Europe. Sociologists from Comte, Spencer, and Durkheim up to Talcott Parsons have been criticized for their normative bias which overemphasizes social equilibrium and stability, thus leaving little room for conflict. Instead of perceiving conflicts as necessary mechanisms that allow for flexibility and change, conflictual relations

are interpreted by them as 'deviation' from a predescribed state of harmony and stability. An oppositional stance has been taken by conflict theorists, starting from Hegel and Marx down to Dahrendorf and Coser.

With the emergence of social control through class domination appears an increasing emphasis on "harmony" as central social value. Harmony, in this sense, becomes an instrument in the hands of the dominant class to legitimize whatever system of organizational control is considered necessary to satisfy the interests of the ruling class. This will lead to strong pressure for the elimination of conflictual relations. Thus, conflict is not understood as a corrective action by workers in industrial relations, but as a disturbance of the established social order. Conflict in industrial relations is a result of the working class' position in the production process. These conflictual relations cannot simply be eliminated by a strong authority, but pressure will transform them from manifest conflicts into latent ones.

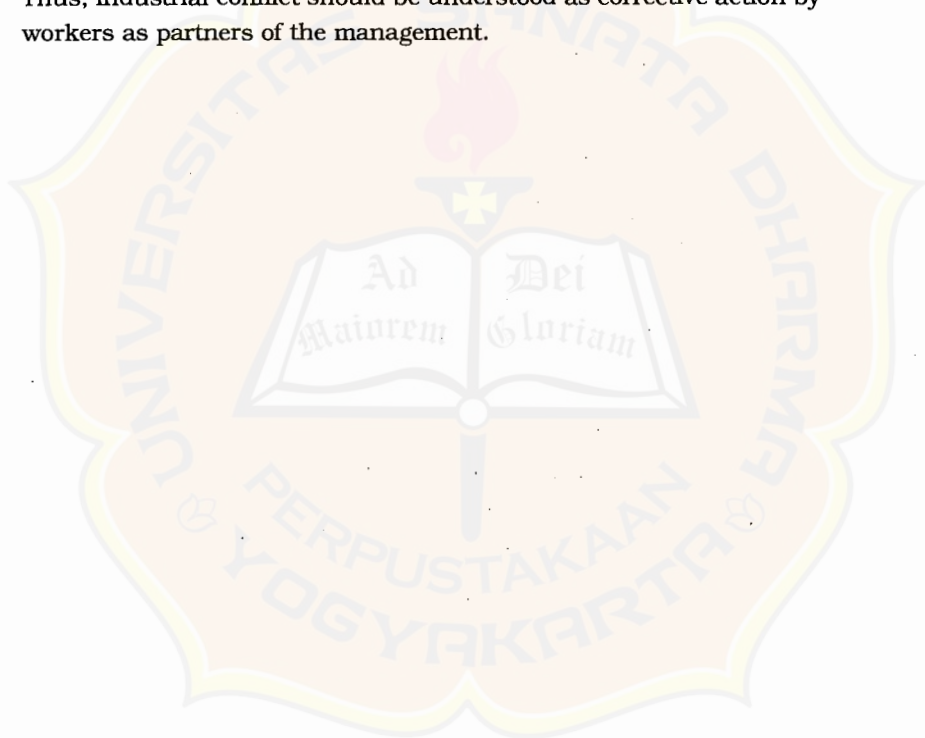
In the course of their historical development, Western societies have developed a growing tolerance for conflictual relations. The value of "harmony", which continues to dominate social life in the East, has been differently applied to industrial relations in Southeast Asian countries. Malaysia, the Philippines, and Thailand have adopted a conflictual pattern. This pattern permits the holding of strikes by workers. Singapore is characterized by an accommodative system of labour relations, while Indonesia has put all worker organizations or trade unions under strict political control. Labour disputes or work stoppages show different frequencies in the five countries. Where strikes are permitted, the frequency of conflicts is lower than in those countries which suppress labour protest.

Although open industrial conflict have recently appeared in large Indonesian cities like Jakarta and Surabaya, they were extremely rare in the Central Javanese companies examined by me. Open collective protests of workers were limited to putting up posters on the factory wall. These activities were not organized, though. Individual forms of conflict turned out to be much more frequent than collective ones. Conflictual relations in the two textile companies, which are both characterized by poor working conditions for blue-collar labour, were



not limited to conflicts of material interest but often extended to issues of religion and ethnicity. Although these conflicts were not too severe in their consequences, they can hardly be excluded from industrial relations in which workers and employers belong to different ethnic and religious groups.

The management of conflicts by the company leadership cannot eliminate conflictual relation. Instead, latent conflicts develop which negatively affect the workers' behaviour in the process of production. Thus, industrial conflict should be understood as corrective action by workers as partners of the management.



## CHAPTER 7

### WORKERS, FAMILIES, AND THEIR WAYS OF SURVIVAL

#### Introduction

The workers in the factories of PT."J" and PT."H" Tex still maintain close relations with their respective villages. A large number of them, besides working in the factory site, also participate in agriculture or other off-farm economic activities (e.g. the informal sector). This indicates that workers in both textile companies cannot solely rely on industrial work but have to look for additional sources of income. Thus, a study of the workers' behaviour in the factory site also has to take account of their communal background in the village.

The phenomenon of villagers who become daily commuters to urban factories is widespread in developing countries. On the basis of a survey conducted in Malaysia, Odhnoff showed that workers employed by industrial enterprises in Penang and Kuala Lumpur belonged to two different types. Workers in Penang mainly comprised individuals who lived in urban areas and had no experience of agricultural work, whereas in Kuala Lumpur the industrial workforce was dominated by people from rural areas. Odhnoff's study explained the turn-over from the agricultural to the manufacturing sector by attempts of the workers to escape from the heavy work in agriculture. Besides their perception of agricultural work as heavy and tiresome, the workers regarded their personal freedom as being restricted by the social control of the family. Some of the young women argued that by migrating to urban areas they could avoid the strict control of the family, for instance, with regard to the choice of a marriage partner<sup>1</sup>. This was clearly demonstrated by Kiem who conducted fieldwork on youth in Eastern Indonesian and found out that young Indonesians today - independently of their gender and ethnic or religious background - are generally opposed to the interference of their families

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<sup>1</sup>. Jan Odhnoff, *On Industrialisation and Labour Market Segmentation in Thailand and Malaysia*, Economic and Industrial Democracy, SAGE, London, Beverly Hills and New Delhi, v.6. 1985, 229-230.

into the selection of marriage partners<sup>2</sup>

Although the above study does not mention cases in which workers link activities in the agricultural and manufacturing sectors, it demonstrates the fact that industrial workers do not always come from urban areas. The present chapter will deal with the everyday life of industrial workers who are still tied to rural areas by certain socio-economic activities.

In order to understand their daily life, this study concentrates on the analysis of the workers' social and economic condition, their family relationships, and other social relations. No particular attention is paid to the structure of rural communities because a person's experiences will be mainly determined by his or her particular biographical background. The distinctive ways of survival among workers have a major impact on their behaviour at the workplace, including their relations to superiors in the factory.

### **Types of "Everyday-Life Personalities"**

Social structure, according to structural-functionalists, determines all aspects of human behaviour. Sociologists who belong to this school of thought tend to ignore the existence of human beings as actors who can influence and change their environment. Human action is largely based on previous experiences. These experiences become the foundation for the interpretation of subsequent experiences.

The term of everyday life, in the present context, is used to refer to an individual's sphere of daily interactions with people in his or her immediate environment<sup>3</sup>. According to William James, the world in which we live consists of sub-universes. He mentions such examples as the world of sense or physical things, of scientific theory, of ideal

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<sup>2</sup> Christian G. Kiem, *Growing up in Indonesia: Youth and Social Change in a Moluccan Town*, Saarbrücken/Fort Lauderdale: Breitenbach Publishers, 1993, pp.141-143.

<sup>3</sup>. Everyday life is subjective and existential as well as objective and structured. It is also essentially intersubjective, since all humans find their experience necessarily reaching out, or intending, the existence of other persons. See Andrew J Weigert, *Sociology of Everyday-Life*, Longman, New York and London, 1981, 40.

relations, and of religion. Alfred Schutz describes these sub-universes as "provinces of meaning". These "provinces" are defined by the respective meaning of their experiences which constitute reality<sup>4</sup>. An actor in daily life is aware that his actions influence the actions of others, but the world also change his actions. How one is influenced by the world in which one lives is determined by the combination of one's experiences. Through the process of interaction, the stock of knowledge at hand is constituted. Zaner explained Schutz' approach as follows:

I take it for granted that this world existed before my birth and will continue to exist after I die ( hence, my lifeworld reveals several dimensions of "others" in addition to my contemporaries- viz. my predecessor and successors), and that it was and will continue to be a sociocultural world organized, experienced and interpreted by my predecessors and successors in ways that are typically similar to those in which I myself and my fellowmen now organize and interpret it. Insofar as it refers to the world handed down to me (by my "tradition"), this assumption combines with the knowledge derived from my own experience to form what Schutz calls my "stock of knowledge at hand". By means of this progressively sedimented stock of experiences, objects, events, and fellow beings I encounter and deal with in the course of my life are experienced by me as "things of such and such a kind" or in another words as "types"<sup>5</sup>.

The stock of knowledge at hand, thus, constructs the biography of a person which - in turn - largely determines how one defines a situation. The biographical situation is essentially historical. It is the accumulation of previous experiences. Unit experiences that compose typification are derived from units such as family, experiences with the legal system, religious experiences, and economic conditions. These experiences encourage a person to choose those interests which are

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<sup>4</sup>. Alfred Schutz, *Collected Papers I, Multiple Realities*, p. 230. This is also quoted by Richard M Zaner, "Introduction" of *Reflections on the Problem of Relevance* by Alfred Schutz, Yale University Press, 1970.

<sup>5</sup>. *ibid* Richard M Zaner, pp xvii-xviii, see also Maurice Natanson, "Introduction" of *Collected Papers I* by Alfred Schutz, Martinus Nijhoff, The Hague, 1973, forth edition, p xxviii.



relevant to him or her <sup>6</sup>. The experiences of people in everyday life are widely different. Workers' everyday lives, for instance, have to be understood by their family, religious, economic, and work experiences in which all will determine their survival.

### **Family Relationships: Harmony and Conflict.**

Workers of PT."J" and PT."H" Tex live in different kinds of settlements. Three categories of them are covered by this study. Some workers live in urban areas close to the factory site. The majority, however, resides in various villages of Yogyakarta province. Most of these villages have both Muslim and Christian inhabitants, although the majority of them are (nominal) Muslims. A third group of workers comes from villages which are exclusively inhabited by Muslims and where Islam is the principal orientation in everyday life. *One of the villages in the third category is also the location of a pesantren*<sup>7</sup>. The latter greatly contributes to the strict Islamic outlook of its inhabitants.

Despite different features of the respective communities, relations between workers and their families reveal strong similarities. Familial relations still center around the extended family. This has already been pointed out in Chapter 4. Workers do not only provide for their nuclear families (Javanese: 'sumah') but also for other relatives such as parents, brothers, sisters, and even for members of non-related families who cannot make their own living (e.g. orphans and handicapped people)<sup>8</sup>.

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<sup>6</sup>. John Heeren, Alfred Schutz and the Sociology of Common-Sense Knowledge, in *Understanding Everyday-Life*, edited Jack D Douglass, Routledge and Keagan Paul, London, 1971, p. 46

<sup>7</sup>. *Pesantren* are Islamic schools where most of the students are boarders and which are affiliated to the traditionally-oriented Association of Muslim Scholars (*Nahdatul Ulama*)

<sup>8</sup>. Hildred Geertz, *Keluarga Jawa*, Grafiti Press, Jakarta, 1961, 4.

**Table 6.1 The Number of Family Members that Have to Be Supported (according to the marital status of respondents)**

	Married	Unmarried	Row Total
None	5.4 %	56.8 %	29.1 %
1 - 2 persons	28.3 %	24.7 %	26.3 %
3 - 4 persons	52.2 %	9.9 %	33.1 %
5 or more	14.1 %	8.6 %	11.4 %
Column Total	100.0 %	100.0 %	
	52.6 %	47.4 %	100.0 %

Source : Researcher's own data of 175 cases

The financial support provided in family relationships points to mutual aid (*tolong-menolong*) as a basic principle in social relations. This principle is one of the elements of 'harmony' which has to be understood as a moral obligation in family relationships. Every adult person who has ever received assistance from parents, uncles, brothers etc. will feel obliged to help others in similar situations. People refer to this type of relations as 'family harmony' (*kerukunan keluarga*). Mutual aid in the family does not necessarily take the form of direct exchange between two persons. Each family member should be ready to provide help to any other member who is in need of it.

Another tradition which characterizes family relationships in Javanese (and Asian) society is respect to elders. Differential degrees of respect are expressed in forms of address in everyday life. The terms of *mas* or *kang* (male) and *mbak* or *yu* (female) are used for addressing elder siblings. The use of these terms is not confined to the nuclear or extended family but applied to a wider social context.

Senior cousins are called by the same terms *mas* and *mbak* for siblings, although in many cases adult siblings and cousins prefer to use the word *mbak* or *yu* before the name of senior female siblings or cousins<sup>9</sup>.

<sup>9</sup>. Koentjaraningrat, *Javanese Culture*, Oxford University Press, New York, Singapore, 1985, 143.

*Pakde* or *Pakwo* are the terms of address for elder male relatives, whereas *Paklik* and *Lik* refer to younger ones. *Bude* and *Bulik* are the corresponding terms for females. *Dik* is the proper address for younger relatives (both male and female), although in these cases the principle of *njangkar* is commonly applied, i.e., only the first name is used.

The latter phenomenon indicates that much higher respect is assigned to elder relatives than to younger ones. The Javanese word for respect is *ngajeni*. It does not refer to the universal value of a human being but clearly links the rights of a person to his or her status. The principle of 'harmony' (*rukun*) in familial relationships is largely based on this particularistic notion of respect. *Ngajeni* can be interpreted as a cultural element which serves to prevent or restrict the emergence of conflict by making people (especially younger ones) reluctant to express their dissatisfaction to others. Kuntjaraningrat argued as follows:

As a participant of culture I have seen and experienced various cases where exactly this stress on *rukun* value as an ideal standard for social relationships, manifested in unity effort, harmony, minimization of open conflicts and avoidance of overt social disturbance, has constantly created suppressed feelings of dissatisfaction and the consequent breakdown of relationship in many Javanese kin groups and families<sup>10</sup>.

Although Javanese cultural values tie family members together, one may ask whether this is sufficient to eliminate conflictual relations. Here it is argued that family relationships can not only be conceived as harmonious but also as conflictual. In Javanese terminology, three types of conflict relations can be distinguished. *Padu* refers to conflict by debate, while *neng-nengan* is a conflict without debating or communication between the parties in conflict. *Kerengan* refers to conflicts which include fighting. All of these conflicts are ways by which somebody defends his or her opinion and right. The type of conflict is determined by the degree of interest collision or - in other words - by the extent to which an individual feels that his or her right is oppressed by others. Reasons of frequent conflicts are family interference in the selection of a marriage partner;

<sup>10</sup>. op cit, p. 153

problems of inheritance, and authoritarian behaviour by parents.

Since Subono, a male worker from PT."J" Tex, considered his father as authoritarian, conflicts did not remain restricted to the level of *padu* but also took the shape of *kerengan*. The parents of Kirmbun, a male worker in PT."J"Tex, divorced when he was still a child and Kirmbun thus was raised by his grandparents and other family members. He had frequent conflicts with his relatives, although these could eventually be solved (see biographical portrait below). Workers are generally reluctant to talk about conflictual relations within their families, since conflicts are considered inappropriate and as deviations from the preferable state of *harmony* (*rukun*).

*Rukun* and *padu* are elements in most family relationships. Studies of Javanese family life, especially in rural areas, often conclude that Javanese families are typically characterized by phenomena as *rukun* and *tolong-menolong*. They ignore the also widespread feature of *padu*. Both aspects are experienced by individuals in their daily lives. Although harmony and conflict exist in all family relationships, their degree varies between different families. There are family relationships in which harmony is the dominant element and those where conflicts prevail. Whether families are dominated by harmony or conflict will usually be reflected in the personalities and behaviour of its respective members.

### **Off-Factory Economic Activities**

One of the issues that requires attention is the kind of economic activities which are conducted by workers outside the factory. In order to understand their ways of survival it is necessary to understand the extent of their off-factory economic life with regard to working hours, income, etc.

A majority of workers (56%) lives together with their parents. This not only applies to single workers but also to married ones. Farm and off-farm work are essential elements of the daily activities of those factory workers who live in villages. Siminem, a female worker of PT."H" Tex, is still single and lives together with her parents and other siblings. Before going to work in the factory, she helps her parents



with daily economic activities. Besides assisting in the seasonal cultivation of tobacco, she also helps with its manual processing after harvest. Since tobacco cannot be planted in every seasons, it is exchanged with the cultivation of maize. Economic activities of Siminem's family are not confined to agriculture but also include off-farm activities such as the production of *emping mlinjo* (a kind of chip made from the *mlinjo* fruit). Suminem spends a considerable part of her time to assist in the economic activities of her family.

For the majority of workers who stay together with their parents it is quite normal to assist in the economic production conducted by the latter. They do not receive wages from these activities, although their material situation is improved and their economic security increased by them. In turn, if their parents have certain economic requirements, workers are obliged to help out with their wages, e.g., by contributing to the educational expenses of their younger siblings. If all economic activities are counted together, the working time of most blue-collar employees of PT."J"Tex and PT."H"Tex certainly exceeds eight hours per day. Eight hours alone are spent in the factory and the rest in agriculture and the informal off-farm sector. If workers are asked whether or not they have jobs outside the factory and how many hours they work every day, answers will frequently be misleading because assistance provided to their parents is not regarded as "work". In answering these questions, workers do not count off-factory economic activities among their working hours.

Although not all workers admit that they conduct economic activities outside the factory, in reality they engage in them. One can divide these activities into two categories. First, as was mentioned above, workers participate in the household production of their parents without receiving wages. Secondly, there are workers who conduct agriculture and other off-farm task which result in monetary rewards. Some of them (28%) are landholders. Agricultural cultivation and off-farm activities often compete with working hours in the factory. Since agricultural activities are often bound to a certain season, workers have to stay away from the factory during these times. This is made possible by the exchange of working hours with a friend, a common feature that can be observed in both enterprises.

Married workers who are not living together with their parents are economically more self-sufficient. Their productive activities outside the firm often remain unclear. Questions of whether or not they work besides their jobs in the factories, are usually answered in a negative or vague manner. This becomes obvious when workers talk about the economic activities of their wives. While they describing their wives as traders (*bakul*), it becomes evident that they themselves are also involved in these activities, e.g., by helping their wives in various ways. At times when workers are not in the factory, they assist their wives with other economic activities.

Some workers do neither work off-factory nor help their wives because the latter are also factory labourers or employed in the service sector, e.g., as household maids (*pembantu rumah tangga*). They often leave their husbands and children for certain periods of time because a housemaid usually stays together with her employer. Some women even work as household servants in Saudi-Arabia. Visits to their families depend on the contractual relations with their employers.

Economic activities of workers and their wives take different forms. Yet, these activities should not be understood as economic activities of individuals but as those of the family unit. The family income will be made up by the earnings of husband and wife which basically determine the economic status of members of the nuclear family. It is not easy to give precise information on the size of out-of-the factory incomes because the workers and their families rarely keep account of it.

A fact that has to be emphasized is that there are wide variations in the total family incomes of factory workers. The concept of a (homogeneous) "proletariat" developed by Marx cannot be applied to the present analysis of labour in Indonesia. Land ownership in agriculture and capital ownership in trading are important factors which determine the economic status of workers. Workers can be divided at least into two categories with regard to their material situation. First, workers who have a low economic status. Although some of the workers in this category conduct economic activities outside the firm, these activities do not transcend the subsistence level. Sumadiono's wife Tukinem, for instance, operates a food stall

**Table 6.2 Marital Status and Monthly Total Income  
of Workers' Families  
(in thousand rupiahs)**

	married	single	Row Total
< 50	2.2 %	48.1 %	24.0 %
50. - 100.	34.8 %	37.3 %	36.0 %
100.1 - 200.	41.3 %	8.4 %	25.7 %
200.1 - 590.	21.7 %	6.2 %	14.3 %
Column Total	100.0 %	100.0 %	
	56.2 %	47.4 %	100.0 %

Source: Researcher's own data of 175 cases.

(warung nasi). By selling rice dishes, she is able to make a small profit every day. Rp. 10,000 would be enough for Tukinem and her family to live for 15 days. By investing this money into the preparation and sale of food, they are able to get along for 20 days. Secondly, there are workers who have a high economic status. They own land which is used for agricultural activities or command a larger amount of capital which is invested in trading. Their bussiness activities include the running of small shops (*toko kelontong*), boarding houses(*usaha pемondokan*), and pensions (*losmen*).

### **Social Activities as Economic Insurance**

*Rukun tetangga* is the term which refers to the harmony of neighbourhood relationships. It is supposed to be the general pattern of relations among people in their community who are tied together by social activities. "Mutual aid" as an element of harmony is essential for the carrying out of social activities. It is not my purpose in this subchapter to describe all the social activities in Javanese village communities. Only those social activities will be presented here which have a certain economic relevance. Social activities are sometimes merged with economic ones, although this is often not realized by observers. Some social activities such as *pelayatan*<sup>11</sup> and especially

<sup>11</sup>. *Pelayatan* refers to visits paid to a household which is mourning the death of a family member.

*jagong*<sup>12</sup> are not purely social ones since they also include a financial gift (*sumbangan*) or the donation of food items. In the case of *jagong*, for instance, people will be ashamed if they do not make a contribution of some kind. While these donations are voluntary, they have to be returned in kind during similar occasions, including an adjustment to the respective inflation rate. In the case of *pelayatan*, contributions are not limited to money but can also include food items like rice, sugar, tea, and others. Donations are based on economic interest and part of exchange relations. Since burial ceremonies are costly, contributions from other people are necessary to reduce total expenditures.

*Rukun tetangga* expressed in the above-described customs is primarily based on the principle of "mutual aid". Insofar, *rukun tetangga* can be understood as "moral economy" among people who live according to the principle of "safety first". While donations help to reduce the total cost of ceremonies, their high frequency in various traditional activities can also disturb the economic stability of households. According to Javanese tradition, the celebration of weddings, for example, used to take place in the certain months of the Javanese calendar. In this period, members of one household are often invited to a number of weddings each of which requires a certain donation. If the family income is not sufficient for giving all these contributions, members of the household will be forced to borrow from others. Thus, credits are not used to satisfy immediate household needs but also to contribute to the carrying out of social activities.

Donations will even continue in the case of conflictual relations between two parties. Guests who are invited but have conflicts with the host will not participate in the ceremony. Still, they will entrust their donation to a friend for handing it over to the host during the feast. People are aware that contributions they have ever received from a person have to be returned. Thus, exchange relations take clear precedence over conflicts in everyday life.

### **Biographical Sketches of Workers<sup>13</sup>**

The aim of the biographical sketches is to describe the workers' social and personal development and the consequences of this development for their behaviour in the workplace. The workers can be classified into the following typology:

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<sup>12</sup>. *Jagong* refers to visits relating to celebrations such as weddings (*jagong manten*), child birth (*jagong bayi*), etc.

<sup>13</sup>. Personal names used in the biographical sketches are pseudonyms.



**Subono : A self-assertive worker**

Subono is a worker of PT."J" Tex. He was born in 1953 at *Ngelak* village south of municipality of Yogyakarta. His father used to work in a *batik* factory. Besides working in this company, S.'s father was very active in the social activities of his village. Because of the authoritarian personality of his father, Subono does not have too much respect for him. Subono dislikes him for paying more attention to social activities than to his family.

Subono graduated from elementary school (*Sekolah Dasar*) and junior high school (*Sekolah Menengah Pertama*) in Yogyakarta Province. He dropped out of senior high school (*Sekolah Menengah Atas*) in the second grade two and left Yogyakarta in order to continue his studies in Ciamis regency, West Java. There, he lived with his uncle. Subono's extended family is Catholic, but he himself converted to Islam. His interest in Islam began when he was a high school student. One of the reasons is that he considered his Catholic father as being overly strict with his children. Nobody in his family had a right to question the opinion of his father.

After his parents moved from *Ngelak* to *Pakel* village, his studies of Islamic teaching became more intensive. He even went to the village mosque for readings of the Qur'an.

While I was young, Islamic learning did not accentuate the knowledge of Arab and of Qur'anic recitation but Islam as a source of goodness and truthfulness.

Subono is the eldest child in the family. Since he often protested against the authority of his father, he used to be referred to in the family as a "dissident son" (*anak pembangkang*). Conflictual relations between him and his father were not limited to discussions and quarrels (*padu*) but also took the form of fist fights (*kerengan*). Greater violence, however, was prevented by the mediating intervention of a neighbour.

His uncle's milieu in Ciamis was not much different from the one in Yogyakarta, since the family of Subono's uncle is also Catholic. For a continuation of his studies, his uncle introduced him to a Catholic priest from Belgium. It was the uncles wish that Subono would continue his studies in the Catholic School of Tasikmalaya, West Java. After a discussion with the priest, it was suggested to Subono that he should enter a Seminary - despite the fact that the priest knew about Subono's Muslim denomination. Subono rejected this suggestion and choose Islam as his religion.

When Subono was 26 years old, he married. Now he has two children. Subono justified his (comparatively) early marriage with the intention to financially support his children up to the level of university education. If he married at a more advanced age, the low Indonesian life expectancy (he mentioned 70 years) might not allow him to do this. His wife is an itinerant trader who sells clothes which can be bought on credit. She sells her goods from door to door. As a result of close personal relations, Subono was entrusted with the running of a student hostel owned by *Haji X*<sup>14</sup>.

Subono's economic activities not only depend on his activities in the factory but comprise also out-of-the-factory work. Besides trading with clothes, his wife opened a food stall (*warung makanan*) for the students who stay in the *hostel*. This food stall is open from noon until 9 o'clock at night. When Subono is not working in the factory, he helps his wife by buying food stuffs, making the eating stall ready for opening, etc. Subono emphasizes the necessity of economic activities outside the factory because the wage he receives is not sufficient to satisfy the economic needs of the family.

Subono's main goal in life is to do good deeds (*beramal*). *Beramal* in his sense is to share or to help others. He argues that *beramal* is easy, when one has a job and much money. One can help others with this money. *Beramal* is first practised in the nuclear family before it can be extended to others. Those who are unemployed cannot do good deeds but depend on the aid of others. The amount of work done by Subono is not limited by time but only by his own physical capacity.

His ethic of work and *beramal* cause Subono to reject some of the traditional values of his community, for example, to do a good deed for others in order to be honoured by them (*projo*). *Projo*, in common understanding, means that people do something good for others on the basis of credit. Often they themselves have no money, but the honour or prestige in the eyes of others is so important for them that they even become indebted in order to achieve it. Subono rejects the principle of *projo* because - according to him - it has no true meaning in daily life.

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<sup>14</sup>. *Haji* is the title given to persons who have made the pilgrimage to Mecca. *X* is used for the name of the haji referred to by Subono who did not mention the name.

Subono mentioned three institutions to which he is obedient. First, there is the absolute and unconditional obedience to God. His commands cannot be ignored. Second, obedience to his parents emphasizes the aspect of respect. While one has to give them honour, one is also allowed to question their opinion. Third, obedience to a leader means that one can criticize him, whenever he gives wrong orders.

Subono's experience of work started when he stayed together with his uncle in Ciamis regency. When his attempts to continue his studies in this town failed, he began to help his uncle's family to look after the children, to do the laundry, etc. His uncle also provided him with some capital to sell cigarettes. After saving a little money from his activities, he received permission from his uncle to return to Yogyakarta. In his own province, Yogyakarta, he embarked on a new job which differed from previous ones. He helped out his neighbours with various services. He worked as a wall painter, house and yard cleaner, etc. He stopped these activities when he received information from a friend that the factory of the Association of Indonesian Batik Entrepreneurs (*Persatuan Pengusaha Batik Indonesia/PPBI*) was looking new workers.

His friend who lived in a house rented out by Subono's grandparents worked in *PPBI* and told him about the chance to work as a weaving operator. Thus, Subono applied for a job in *PPBI*. Although he did not carry a formal letter of recommendation, the leadership of the enterprise paid much attention to the application because Subono's friend is one of the important members of the management. After a few days of working in the company, the management sent Subono for training as a weaving operator in another factory called The Association of Indonesian Batik Cooperatives (*Gabungan Koperasi Batik Indonesia*). In this enterprise, he was trained for three months. During morning hours, he was instructed how to operate a weaving loom, how to prepare yards, and how to construct beams in the weaving loom.

After finishing his training, Subono returned to his original work in *PPBI*. However, he was dissatisfied by not being assigned the position of a weaving operator. Only after the management knew that

he had been recommended by a person who occupies an important position in the company, was he employed as a weaving operator. Subono mentioned that his personal connections to a member of the management board were important for him to get this job:

Relations with management members or relatives of them will decide which positions workers occupy and how much they earn.

Subono left this enterprise after working there for two years. He found a new job in PT."J" Tex.

The work of a weaving operator is very different from the one of a knitting operator. Since knitting requires more complex technology than weaving, Subono could not immediately take the post of a knitting operator. Only after assisting an operator for three months, could he become an operator himself. In PT."J" Tex, Subono often criticized members of the management. For instance, when one of the management members explained to the workers that the company was not working profitably at the moment, Subono pointed out that the management had refused to consider suggestions made by the workers to improve working conditions. Some management members suspected Subono of organizing labour protest in the company.

### **Kirmbun : A self-assertive worker**

Kirmbun was born in the kampung <sup>15</sup> of Sosrowijayan in Yogyakarta City. He is now 48 years old. His father was an employee of the court in Yogyakarta (*abdidalem*). Kirmbun has six brothers. While he was still a child, his parents divorced. After their separation, he stayed together with grandparents and other relatives. Kirmbun learned batik painting from his grandfather. He knew hard work from the times when he was young. Besides assisting his grandfather with batik painting, he also worked as a lottery seller. His daily life made him shy and feel inferior to other young people. Kirmbun lived together with his grandparents until his marriage. Relations with his relatives became more conflictual after he established his own family. Although he and his family felt humiliated, now there are no more conflicts with

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<sup>15</sup>. Kampung, in this context, refers to an urban neighbourhood.



other members of the extended family. When conflicts with his relatives became too strong, Kirmbun moved into a separate house with his family.

While still living with his grandparents, Kirmbun graduated from senior high school. From the days of elementary school, he continually encountered problems because of the lack of money to pay school fees. Kirmbun once used to attend a technical junior high school (*Sekolah Teknik Negeri/STN*) but he had to leave because the school was too far from his home and he had no bicycle.

After Kirmbun left his grandparents, he began a new life with his family. Now he has four children, two boys and two girls. The eldest is attending high school and the youngest one is still in elementary school. It is Kirmbun's principle to provide his children with discipline so that their education will be successful. Kirmbun's family used to be Muslim, but now he is Buddhist and his wife and children converted to Catholicism. He expressed his religious world-view as follows:

I think all religions are basically the same, that is, they honour the greatness of God. Religions only differ with regard to the ways in which this honour is expressed. God is everything, hence he is omniscient. A person who says that one religion is better than others, commits a sin against God. God, in my opinion, never distinguishes between people or religions. I have no objections that my wife is a Catholic. I told her that religious strictness is necessary but should not be carried to an extreme. My identity card (*Kartu Penduduk/KTP*) says that I am a Buddhist, although I do not know how to pray in the way of Buddhism. I respect Gautama Buddha because his life is interesting for me. I believe in God. I try to express this belief in good and truthful conduct. I also believe in the *law of karma*. I often fast according to Javanese principles but not in relationship to Ramadhan. Our Javanese ancestors did not eat regularly. They believed in their strength (*tabah*) and had a long life.

Kirmbun emphasizes the principles of truthfulness, goodness, and honesty. These principle must be expressed in the work of everyday life. Kirmbun did not reject all traditional values. The ritual meal of *selamatan*, for example, should be performed by well-to-do people but not by poor ones. The performance of *selamatan* by the poor is a sign of arrogance. Kirmbun himself holds ritual meals in a

simple way. Kirmbun and his wife also work as traders. The small shop (*kiosk*) is located in front of their house. In the beginning they only sold ice. Later on, they expanded their business and started to sell goods such as fruits, cigarettes, rice, oil, and other items of daily consumption.

Kirmbun divides his time between factory work and other income-generating activities. From morning till afternoon, he works in the factory. Formerly, after returning home, he went to the market to buy the goods which are resold in the shop. In the course of time, their capital increased. Once they were offered a credit by a bank official, but Kirmbun rejected this offer with the argument that he does not know how to manage such a large amount of capital. By now, their small shop sells a considerable assortment of goods. It functions not only as retailer but also as wholesaler. Although Kirmbun could not give an exact figure, he estimated his capital at about five million rupiah. Kirmbun does not use a bookkeeping system and hence prefers to buy goods in the cash-and-carry manner. Thus, he has no problems with accounting.

Before becoming an employee in PT."J" Tex, Kirmbun worked in building construction. At this time, he was still single. After working for a week in the construction business, one of his friends informed him about a vacancy in PT."J" Tex. His friend previously worked in this company and through his recommendation Kirmbun was able to receive the job. Between 1974 and 1979, PT."J"Tex was in a state of crisis and the wages paid by the management were 40% below the standard of minimum wages. The company management asked the workers to sell defective rejects by way of retailing. Those who participated in this trade could make a small profit. Kirmbun was among the persons who sold damaged goods. While many of his colleagues left, Kirmbun persisted until normality returned to the company. During the time of selling this material, Kirmbun ate only once during three days of the week for one year in order to receive "divine blessing" for his commercial endeavours.

Both under the former and the present management, Kirmbun has frequent conflicts with his superiors. He often protests when he observes unfair treatment in the factory, for instance, when the head

of his department promoted workers who were still new but who had close personal relationships with their superior. Since Kirmbun's personality is considered as "disturbing" by his superior, he is often shifted from one post to the other by the management. From the position of a group leader Kirmbun was even degraded to the one of an ordinary worker.

Kirmbun is dissatisfied with his wage. He has worked for 20 years in the factory, but his income is still not much higher than the ones of new workers. He feels more skilled than the latter because of his long-term work experiences. Kirmbun knows the strategy of the management to frustrate self-assertive workers so that they will leave the company without dismissal. When the head of department moved him from one position to the other, Kirmbun protested as follows:

Excuse me, Sir, did I make a mistake somewhere? In case I did something wrong, I won't hesitate to leave this factory.

Eventually, the President Director of PT. "J" Tex exerted pressure on Kirmbun to leave the company. Now, he helps his wife to develop their small shop.

#### **Subarjan: a loyal worker**

Subarjan is 34 years old. He was born and always lived in Brajan Village, a part of Bantul regency. His father was a landless peasant who worked as tapper of coconut trees (*penderes kelapa*). When Subarjan was still young, he had to work hard in order to help his parents to make a living. When his father died, Subarjan - as the oldest son - took over the role of household head. He considered it his responsibility to look after his ten younger siblings. Subarjan took care of them until all of them were married. He himself remained single to this day.

Subarjan is grateful to Allah that he was able to bring up his younger sisters and brothers. Within his family, there were never much conflict. Subarjan was always obedient and never criticized his parents. He became afraid, whenever his father was angry. In these situations, Subarjan left the house for a while and went to the village mosque until his father had calmed down. Until today, he lives in the

house built by his parents. After his father's death, Subarjan renovated the house. Presently, he lives together with his mother and some of his younger sisters and their husbands.

Since the economic situation in his family was poor, Subarjan was not successful in his studies. After finishing elementary school, he continued at a secondary school for the education of Islamic teachers (*Pendidikan Guru Agama/PGA*). After three years he dropped out. Subarjan mentioned that, although the fees were very low, he was often not able to pay them in time. He was ashamed and preferred to leave the school in order to help his father. After he found work in the batik company, Subarjan no longer assisted his father in palm-tapping.

Since the batik enterprise where he worked was located too far away from his village, Subarjan decided to move closer to the factory and to return only during weekends. Business was slow in this company and Subarjan looked around for another job. His neighbour in Brajan village told him that PT."J" Tex was searching for new workers. Through his colleague he sent an application to this company. A few days later, he was employed by the management. After starting work in PT."J"Tex, Subarjan returned to live with his family in the village. In the meantime, his father had died.

Although Subarjan could not finish his studies for becoming an Islamic teacher, one of his social activities is to teach children of his village to read the Qur'an. This he does without payment. Since Subarjan's working hours in the factory change, lessons are adjusted to his schedule in the factory. If he has to start working at noon, lessons will take place after the morning prayer (*sholat subuh*). Normally, the lessons take place between the afternoon (*sholat ashar*) and the sunset prayer (*sholat magrib*) and between the sunset and the evening prayer (*sholat isyak*). He recommends his students to continue at a pesantren after finishing his informal lessons in Qur'anic reading.

As a Muslim, Subarjan argues that obedience to Allah will prevent him from breaking the rules laid down in the Qur'an. Obedience to one's parents means to listen to everything said by them. This implies that whenever they make a mistake, one does not openly protest against them but makes suggestions for alternatives.



Obedience to superiors means to follow all his regulations. If one does not agree with a regulation in the work place, one should leave the company and try to find another job. Subarjan argues that superiors will usually be angry, if one makes a mistake. Thus, discipline is important in order not to be criticized by one's superiors. During all the time he has been working in PT."J"Tex, superiors have hardly ever admonished him in the work place.

Subarjan does not reject social traditions. Traditions such as ritual meals conducted on the occasion of somebody's death, according to him, are necessary to maintain social relations. Subarjan adheres to a traditionalist notion of Islam. Thus, he holds that brotherhood does not only exist between living people but also between living and dead ones. *Selamatan* with the recitation of the confession of faith, i.e., *la ilaha illa 'llah (tahlil)*, is the way how people who still live pray to Allah for those who already died. According to Subarjan, the accuse of polytheism (*musrik*) does not apply to the ceremony of *selamatan* but only to the intentions of those who pray. If they pray to someone who has died in order that he will help people who are still alive, the accuse of polytheism is justified.

Although Subarjan is still single, his work is not confined to the factory. In Brajan village, Subarjan rented 600m<sup>2</sup> land for Rp.400,000 a year. Since he cannot plant rice himself, other people have been employed to do the planting, fertilizing, etc. Subarjan pays wages to the people who work in the field. The harvesting is done by Subarjan and his family. When I asked Subarjan about the profit he gains from agriculture, he replied that he never counted it.

Subarjan has worked for 10 years in PT."J" Tex. He never had conflicts, neither with his superiors nor with his colleagues. Subarjan does not deny that wages in the company are very low. Whether they are sufficient to cover family needs or not depends on the thriftiness of the people who spend the money. For Subarjan, the ethnic and religious affiliation of members of the management is irrelevant. His principle of work is to be diligent and to obey to the company regulations.

Although some of his colleagues criticize the management, Subarjan does not wish to join them. He is aware that his limited

education would make it difficult for him to find work in another company and, therefore, prefers to continue with his present work to which he has become accustomed. Subarjan avoids to be absent from his work. In 1991, he was never absent. While a number of workers complain that their work is too hard and that the management does not pay enough attention to work conditions, Subarjan holds a different opinion. He argues that all kinds of work are hard and difficult, as long as one is not used to it. Subarjan belongs to those people who do not like to comment on the problems of work.

Since Subarjan was always industrious at his work place, the management rewarded him with a gift of Rp.75.000 as the best worker on the occasion of Indonesian Independence Day in 1991. Subarjan claimed that he did not intend to become the best worker. He thanks Allah that he was the one chosen by the management.

#### **Suminten: a worker with "hidden dissatisfaction"**

Suminten was born 25 years ago in Krongahan village, located in the district of Melati (Sleman regency). She did not mention the profession of her father, but pointed out that he worked quite far away from her village in the district of Muntilan, Central Java. Suminten's father had two wives and her mother was the second one. She has four full siblings. When Suminten was nine years old, her father left the family for a considerable period of time. Suminten did not know where he was. After his return, he lived together with Suminten's mother and her children until his death. Today, Suminten lives together with her mother and her siblings. Her mother is a peasant and owns a piece of land. Because of the large number of family members, Suminten has to help her to make a living and, therefore, until now found it difficult to look for a partner. She is still unmarried. Suminten sometimes had conflicts with her father which, however, were not too dramatic, though. Whenever there were situations of conflicts in her family, Suminten preferred to keep quiet.

Before starting to work in PT."H" Tex, Suminten graduated from upper secondary school. She did not wish to continue her studies at the university because she was aware that she had to help her mother.

The wage which Suminten earns in the factory is used to pay for some of the basic needs of the family like electricity, the fees for two of her younger siblings who are still attending school, etc. Food is provided through the economic activities of her mother.

Suminten is a Muslim but she finds it difficult to participate in religious activities of her village such as the reading and interpretation of Qur'anic verses (pengajian) because of a changing work schedule. Suminten mentioned that there are both Muslims and Christians in her village. Christians, however, are a minority. Both groups compete with regard to the performance of religious activities. Religious fanaticism often leads to conflicts between the respective communities.

Since human beings need food everyday, work is the most essential activity for Suminten (*mendapat sesuap nasi*). Still, religious devotion has to be expressed in everyday life. Presently, Suminten conducts no off-factory economic activities. After and before working in the factory, she assists her mother with daily household chores such as washing dishes and doing the laundry. Since Suminten is tired after working eight hours in the factory, she cannot help her mother in agriculture.

Formerly, Suminten used to do home industry for a candy company besides being employed by PT."H" Tex. The candy company was located close to PT."H" Tex, so that she could pick up materials there after work. The task was simple, that is, to wrap candies. For warping one parcel of candy, Suminten earned 100 rupiahs. After having warped candies for nine months, the candy company reduced the wages of workers from 100 to 75 rupiahs per parcel. This caused Suminten to solely concentrate on work in PT."H" Tex.

Suminten often complains about poor working conditions in PT."H" Tex. For instance, workers have to organize their own health insurance by pooling 100 rupiahs every other week. The management does not provide any medicines to workers who are ill workers. Suminten also criticized that workers who have close relations to the management exert pressure on other workers to join a consumption cooperative. According to her, this should be done on a voluntary basis. Superiors do not pay much attention to the workers. Suminten does not express her complaints about poor working conditions to the

management. She is afraid of negative consequences and assumes that individual protest is will hardly influence decisions of the company leadership. Instead, it will endanger the situation of workers themselves.

**Sutar <sup>16</sup>: a worker who tries to prosper through cooperativeness**

Sutar is 47 years old and has worked in PT."H" Tex for 20 years. He lives in Glondongan village in the district of Melati (Sleman regency). Sutar provided no information about his family background. Both he and his wife work in PT."H" Tex. Sutar has only elementary education.

Although Sutar is a Muslim, he finds it difficult to practise Islamic teachings in everyday life. As a human being who associates with other people, he is aware that he behaves wrongly in various situations, e.g., to lie to somebody which is forbidden by religion but frequently practised. Sutar described himself as "not perfect". According to Sutar, this is no problem as long as one does not violate laws or regulations. He recounted the following story:

There is a colleague who has difficulties to obtain credit. I can help him but I have to gain profit from this transaction. I will say OK, if I get a reward. Usually I give credits to those who need it. For a loan of 10,000 rupiahs, one has to repay 12,000 rupiahs. I know that the profession of moneylending is forbidden by Islam but I need the income to be gained from it.

Religion, according to Sutar, is an institution which regulates how people should pray to God so that there wishes will be fulfilled. People do not only pray for positive but also for negative purposes. God will listen to all of them. A robber's prayer, for instance, might be accepted by God but in real life the police will catch him because he has broken the law. Religious teachings express good intentions but it is not easy for "imperfect" human beings to follow them.

When Sutar was still young, learning about magic was one of his major interests. He argues that one gains strength by having control of

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<sup>16</sup>. Sutar was interviewed by my research assistant alone. At first, he refused to be interviewed about his work in the factory which - according to him - required prior consultation with the management. The ensuing conversation took place in a less familiar atmosphere.



magical powers. Since he likes to fight with others, magical powers are important for him to become a winner. Magical power can fulfill all one's desires. Formerly, he enjoyed to deceive other people and to gain profit from it. Now he feels old and has given up the practice of magic.

Sutar started his working life at the train station which was not far away from his home. When the railway between Yogyakarta and Magelang was closed down, he had to look for another job. Before entering PT."H" Tex, he worked in building construction and - after that - as shop assistant in a store in Malioboro street, Yogyakarta. Sutur was able to receive employment in PT."H" Tex through the help of his wife who had previously worked there. When the company was looking for a security guard, he applied and was accepted by the management.

His basic principle of work is to increase his wage by closely following the company's regulations. Since he joined PT."H"Tex, Sutur has not only worked as a security guard but also carried out other functions. This shifts were conducted in accordance with the company's needs.

For me, all kinds of jobs are the same. They can also employ me as a sweeper, as long as they don't reduce my wage but increase it.

During the time that he worked in the company, his wage was increased a number of times. Sutur's second major principle of work is to help the company's owner to develop his bussiness. According to him, all employees cannot support the interests of the workers. Some also have to assist the employer. His attitude towards the management does not emphasize any form of criticism. Mistakes of the management are quite normal. The same is true for his own mistakes which - so far- never led to a reduction of his wage.

### **Types of Workers' Survival Strategies**

From the above-described biographical sketches at least three different types of survival strategies can be deduced. First, as represented by Subono and Kirmbun, a family background characterized by

conflictual relations encourages self-sufficiency and self-assertiveness in daily life. Although Subono and Kirmbun belong to different religious communities, their religious experiences are quite similar. Both changed their original denomination: Subono by converting from Catholicism to Islam and Kirmbun by converting from Islam to Buddhism (and his family to Catholicism). Both are working hard for the economic success of their families. They do not depend on factory work but also develop off-factory economic activities. Both try to avoid certain customs prevalent in their communities, but do not generally reject "traditional" Javanese culture. Their biographical experiences make them flexible in everyday life and significantly contribute to the self-sufficiency and self-assertiveness of their personalities. All this together gives them courage to take risks in their struggle for survival.

The second type of survival strategy seems to be related to a family background characterized by few conflictual relations. This type is exemplified by Subarjan and Suminten who are obedient to authorities both in their families and the work place. This is so despite the fact that Suminten and Subarjan reveal different degrees of religious (Islamic) devotion. Both workers early had to contribute to their family incomes, since their fathers died when they were still young and there were many younger siblings. The economic situation of Subarjan and Suminten was generally more difficult than the one of Subono and Kirmbun. Subarjan and Suminten still live together with their families of origin (i.e. mothers and younger siblings). They are less independent and intend to minimize risks in economic life. Obedience to superiors is an important principle in their work.

The case of Sutar indicates a third type of survival strategy. He ignores religious values and emphasizes the maximization of material means as main goal in life. His relationships with other people are based on exchange and oriented towards material rewards. The overarching principle of Sutar's behaviour in the work place is to cooperate with his superiors in order to increase his material gratification.

## Summary

The sedimentation of previous experiences contributes to the stock of knowledge at hand through which the life-world is interpreted by an individual actor. Experiences of family relationships, communal relations, and religious beliefs determine one's personality. Thus, the type of personality will vary according to different biographical backgrounds.

Two elements of family relationships, i.e., "mutual aid" and conflict, can be found in different degrees in all families, at least in Java. Although conflict might characterize familial relations, the principle of "mutual aid" continues to be understood as moral obligation in most Javanese families. "Mutual aid" takes place under conditions of both "harmony" and conflict.

This also applies to communal relationships, although the principle of "mutual aid" is understood somewhat differently in the context of the wider social community. Here it is related to exchange relationships which are conceived as embedded into a "moral economy". Similar to familial relations, conflicts in the communal context do not impede the principle of mutual aid. In order to achieve a true understanding of Indonesian society, especially on Java, one cannot only pay attention to the aspect of "harmony" (which tends to be overemphasized in the emic perspective) but also to the aspect of conflict which often characterizes and sometimes even dominates social relations.

By the way of biographical sketches, I have tried to develop a model of different strategies of survival among industrial workers in contemporary Java. The first category comprised workers who are self-assertive, self-sufficient, and ready to take risks in their lives. A second group of workers is less self-assertive and independent and shows a tendency to behave loyally towards authorities. These workers rarely express their dissatisfactions in an open manner. They try to minimize risks in their daily lives. The third type of workers instrumentalizes cooperative relations with superiors to maximize personal profit.

In this chapter, it was not possible to find a definite answer to the question which of the factors (religious belief, experiences in the

family, etc.) is the most important in determining the type of survival strategy. Rather, the main purpose was to develop a preliminary typology of workers relating to their ways of survival in everyday life.





## CHAPTER 8

### THE IMPACT OF LABOUR RELATIONS ON THE PERFORMANCE OF INDUSTRIAL WORKERS

#### Introduction

The previous chapter was concerned with the issue of traditional cultural values within organizations and their effects on labour relations. I concluded that the understanding of these values depends on the position of the respective actors (i.e. management/employers and workers) in the social hierarchy. The tight control of workers by the management often ignores ethical principles. Poor working conditions and violations of the labour code by the management which are the result of a pure profit maximization policy provide evidence for this.

In previous chapters, my study emphasized the analysis of relationships of domination and subordination. The present chapter will look more closely at workers' performance of their tasks in the workplace. Sociologists use different terms to refer to workers' activities in the factory like 'behaviour', 'attitude', and 'performance'. The term behaviour is avoided by most sociologists who use the term 'action' in order to distinguish meaningful activity from mere habitual conduct without subjective meaning <sup>1</sup>. The term 'attitude' is mainly employed by psychologists and statistically measured. By and large, the research on work attitudes conducted by psychologists aims at an improvement of the productivity of workers. Thus, it is oriented towards the management's interest of company development <sup>2</sup>. Since neither behaviour nor attitude are appropriate terms in the present context, I will use the concept of 'performance' in order to refer to visible action in the workplace.

In the following discussion, I will concentrate on some of the more important aspects of the workers' performance in the two

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<sup>1</sup>. Nicolas Abercrombie (ed), *Dictionary of Sociology*, p. 14 & 19

<sup>2</sup>. Arne L. Kalleberg and Ivar Berg, *Work and Industry, Structures, Markets and Processes*, Plenum Press, New York and London, 1987, p.158.

factories examined such as absenteeism, punctuality, and precision in the workplace. A proper understanding of absenteeism, for instance, cannot solely rely on quantitative data but has to include qualitative information on the actual reasons that cause an individual to stay away from work. The ensuing analysis will try to understand the workers' subjective meaning of their actions in the workplace, thus focussing on their own point of view.

The above-mentioned aspects of work performance are certainly related to management control and conflictual relations between management and workers. Thus, it has to be asked to what extent management control and conflictual relations in the factory determine the workers' performance of their tasks in the workplace.

### **Management Control, Conflictual Relations, and the Performance of Work**

Early sociological studies of work and industry in the 1920s were largely reactions to the writings of F.W Taylor. The most well-known example is Mayo's analysis of the Hawthorne experiments. Taylor's management approach emphasizes the application of scientific techniques to factory organization in order to control and measure work, thereby eliminating inefficiency. Inefficiency on the side of workers is mainly due to a lack of management knowledge for the control of the production process. The application of Taylorism leads to a high level of rationalization within the firm organization. By applying Taylor's engineering method which includes a standardization of the work process and an optimizing of task allocation and worker selection the problem of inefficiency can be reduced. According to Taylor, the technical skills of workers are an important factor within the process of production.

Mayo and his co-researchers argue that workers are motivated by a compulsion towards sociability which is often restricted by systems of control. The social system of the factory consists of two interrelated spheres, i.e., the technical and human organization. The former does not necessarily provide a basis for co-operative working relations. However, harmony can be achieved by human organization or social

skills<sup>3</sup>.

Our administrative methods are all pointed at the materially effective; none, at the maintenance of co-operation. The amazing technical successes of these war years show that we - our engineers - do know how to organize for material efficiency. But problems of absenteeism, labour turnover, "wildcat" strikes, show that we do not know how to ensure spontaneity of co-operation; that is, teamwork<sup>4</sup>.

Workers' performance in the workplace is determined by a balance of skill requirements. Technical skills are necessary to manipulate things for human purposes, while social skills point to the capacity to enter into communication with other human beings. Social skills imply responses to the ideas of others in such a way as to promote proper participation in common tasks<sup>5</sup>. Mayo's study is based on the concept of integration whereby the factory or the workplace is seen as a social system. It is evident that his approach has been influenced by Durkheim's school of thought. Mayo's work eventually developed into a new school of sociological inquiry, the "Study of Human Relations".

Later studies of "plant sociology" conceive the workplace not as a social system but as an organization. They examine the constraints on the realization of management goals and the effects of company size on the attitudes and behaviour of workers. The above-mentioned studies focus on the relationship between organizations and their working environment and try to determine which kind of organization is the best for a particular enterprise. This has involved looking at the persistent features of an organization, i.e., hierarchy, control, and division of labour, in order to describe the rules underlying organizational behaviour. Weber's concept of bureaucracy strongly influenced the perspective of these studies<sup>6</sup>.

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<sup>3</sup>. Paul Thomson, *The Natur of Work, An Introduction to Debates on the Labour Process*, The Macmillan Press Ltd, London, 1983, p. 15

<sup>4</sup>. Elton Mayo, *The Social Problem of An Industrial Civilization*, Routledge and Keagan Paul Ltd, London, 1949, p. 9

<sup>5</sup>. Ibid, p. 12

<sup>6</sup>. Paul Thomson, *Op cit*, p. 24.

Sociological studies of work and industry during the post-war period stood under the influence of functionalism and structural functionalism. Studies of this school intended to make contributions to the improvement of management. Less emphasis is put on the origins of conflicts within industrial relations but rather on how to achieve integration in the factory and how to realize organizational goals. While much attention is paid to the function of organizational control for the achievement of organizational goals, the omnipresent existence of conflictual relations in the factory is largely ignored.

The degree of open and hidden conflicts in the workplace does not only depend on incongruent goals between employers/management and workers but also on other intervening variables such as the condition of the labour market. The labour market plays an important role in determining the situation in the workplace. Although formal educational attainment is increasingly relevant as a criterion in the Indonesian labour market, as I explained in a previous chapter, it is not the only influence on the management's decision to hire labour. An imbalanced relationship between supply and demand will significantly affect the conditions of work, the wages, the labour turnover, etc. Thus, the performance in the workplace will not merely depend on the strength of management control or conflictual relationships but also on other variables such as potential job alternatives that might be available in the labour market.

### **The Phenomenon of Absenteeism**

Regular attendance of workers in the company strongly determines the process of production. Absenteeism, however, has to be understood from both the management's and the workers' viewpoint. For the management, absenteeism affects the allocation of work and restricts the process of production. But what is the meaning of absenteeism for the workers? Is it a result of the "lazy" human nature or can it be interpreted as a consequence of conflictual relations? Without being able to enter into a discussion of the nature of work, I will attempt to answer these questions on the basis of my data from two Javanese textile factories.



First of all, a clear definition of absenteeism is required. The total loss of time in the process of production in the company is made up by both authorized leave and unauthorized absence. The company regulations permit certain kinds of authorized leave such as in the case of sickness, accident, or for vacations. Unauthorized absences are cases in which there is work waiting in the factory but the respective worker does not show up. The management, in these cases, has no clear information on the reasons for the worker's absence. The term absence refers to the loss of working time caused by both authorized and unauthorized leave, whereas the term absenteeism refers only to unauthorized absence. Strike, lock-out, and lay-off are excluded from the definition of absenteeism<sup>7</sup>.

Following this definition, the rate of absenteeism is made up by the number of persons who are absent for unauthorized reasons divided by the man-shifts actually worked multiplied with one hundred. In the two companies examined by this study, the rate of absenteeism is presented for all workers every four months. For the interpretation of the quantitative data in the following table I will also draw on information provided by the workers and on my own observations in the factory.

The management of PT."H" Tex does not permit workers to be late more than five minutes. The head of the division of production refuses to admit workers who violate this regulation and sends them home. Due to this firm regulation, workers who feel that they are late will usually not come to the factory at all. Since workers have no right to take vacations, they sometimes do not appear in the workplace without prior information. Informing the management plays no important role, as - independently of their reasons of absence - they will not receive a premium, if they are absent more than three times in a month. These reasons are responsible for a higher rate of absenteeism in PT."H" than in PT."J" Tex. My sample of workers shows that 21.7 percent of the respondents in PT. "H" Tex had a high record of regulatory attendance during the past four months. 20.9 percent

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<sup>7</sup>. K.N. Vaid, *Papers on Absenteeism*, Asia Publishing House, London, 1967, pp.2-3.

were absent between one and four times, while the majority or 57.4 percent had five or more days of absence during this period.

**Table 7.1 The Percentage of Absenteeism among Blue-Collar Workers from January to April 1992**

Months	PT."J" Tex	PT."H" Tex
January	4.13 %	9.44 %
February	3.41 %	8.85 %
March	2.16 %	11.66 %
April	2.44 %	7.37 %

Source: Administration Department of PT."J" and PT."H" Tex

**Table 7.2 Workers' Information on Absenteeism between January and April 1992**

Rate of Absenteeism	PT."J" Tex	PT."H" Tex	Row Total
None (regulatory attendance)	53.3 %	21.7 %	32.6 %
1 - 4 times	15.0 %	20.9 %	18.9 %
5 and more	31.6 %	57.4 %	48.6 %
Column Total	100.0 %	100.0 %	
	34.3 %	65.7 %	100.0 %

Source: Researcher's own data of 175 cases.

Although the managements of both PT."J" and PT."H" Tex offer incentives to workers with high records of regulatory attendance, absenteeism seems to be unavoidable. Another reason for absenteeism is workers' protest against the management. Because of the failure of

their efforts to improve the poor working conditions, the worker's frustration is expressed through their performance in the workplace. Sometimes workers do not appear in the factory because they pursue a better-paying secondary job. Daman, one of the workers in PT. "J" Tex, did not go to the factory for two days, when his neighbour invited him to repair something in the house for Rp. 3000,- per day. Daman asked one of his colleagues to replace him in the workplace. The colleague received Rp.1500,- from Daman for eight hours of work (the daily wage in this company was approximately Rp.1500,- per day). In this way, Daman managed to be recorded by the group leader as present.

Absent workers who are replaced by their colleagues do not represent a problem for the company management. In Daman's case, there was no loss of production time in the factory. Workers who are not admitted to the factory because of being late hardly affect the process of production in PT. "H" Tex, since there is generally an abundance of workers. Thus, if some workers are absent, they can easily be replaced by others.

Absenteeism among workers cannot be understood as sign of habitual "lazyness". As was mentioned in a previous chapter, workers usually work more than eight hours per day. Besides working in the factory, many of them are also engaged in off-factory economic activities. Based on his experiments in an American company in 1942, Mayo concluded that workers were rarely absent and preferred to be at work. Their absences were usually a result of family circumstances<sup>8</sup>. In my view, the high record of absenteeism in the two examined companies is also a consequence of workers' dissatisfaction with their working conditions and of conflictual relations with the management. The strong management control of working conditions and the management's violation of labour regulations will only lead to increasing absenteeism, if there is less unemployment in the labour market. The turnover of labour will increase with a higher availability of job alternatives. Dissatisfaction with working conditions and labour conflicts will be expressed more openly under these conditions.

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<sup>8</sup>. Elton Mayo, Op cit, p. 82

### **Punctuality in the Workplace**

Observance of punctuality is one of the primary means for the management to eliminate inefficiency. Punctuality in the workplace has two aspects. First, it refers to the punctuality with which workers arrive in the factory and start to work. Second, punctuality is related to the question whether workers stop working before the official working time fixed by the company. In the present context, I do not intend to analyze how cultural factors influence the punctuality of work. Cultural factors have been discussed in the previous chapter in connection with organizational controls and conflictual relations. Here, I try to explain the effect of those relations on punctuality in the workplace.

Workers in PT. "H" can be called more punctual than those in PT."J" Tex. The principle to refuse admission to those workers who are more than five minutes late is the main reason for their punctuality. The strict control, however, also contributes to the high frequency of absenteeism in this company. There are many reasons which cause workers to be late. Most of them are rooted in problems of transport and family affairs. Most workers come on bicycles and sometimes face problems like heavy rains, flat tyres, etc.

In contrast to PT."H" Tex, PT."J" Tex does not employ any systematic controls to enforce punctuality. The record of unpunctuality in PT. "J" Tex for the months January to March 1992 shows that 4.7 percent of the workers were registered as unpunctual in January, 3.1 percent in February, and 4.0 percent in March. It is interesting to compare the punctuality of workers in the different departments of the company. There are six departments: administration, warping and knitting, dyeing, planning and controlling, and technique and warehouse. Out of all workers who were recorded as unpunctual in January 1992, 65.4 percent came from the warping and knitting department. The percentages for February and March were 43.1 and 44.7, respectively.

Company records from January 1992 also show that 30.9 percent of the unpunctual workers in this department came late between 11 and 20 minutes, while 38.3% were even more than 20



minutes late. In February and March, the highest percentage of unpunctuality was also recorded among workers of the warping and knitting department. The same can be said about the rate of absenteeism. In the following, I will try to explain the phenomenon of frequent unpunctuality and absenteeism in this department.

In previous parts of this study, it was pointed out that the failure of firm-level trade unions to articulate the workers' interests frequently led to an individualistic expression of frustration and conflictual relations in the workplace. Some workers individually tried to direct the management's attention to their problems. In the warping and knitting department of PT."J" Tex, the workers frequently expressed their dissatisfaction with the existing working conditions in an open way. Strong pressure was exerted by the management on those workers in the department who were involved in conflicts with their superiors. Some of them were eventually dismissed.

Since the workers are generally aware of the fact that the management violates the existing labour regulations, they themselves are reluctant to obey these regulations. This is one of the main reasons for the occurrence of conflicts in the factory. By entering into conflictual relations with the management, the workers attempt to enforce the observance of legal norms. Since these efforts are largely unsuccessful, workers express their dissatisfaction and protest through their performance in the workplace. While strict management control is able to eliminate part of the inefficiency in the production process, this is hardly true for conflictual relations. The latter are rather made more harmful by being channelled into the workers' performance in the workplace.

The phenomenon of workers stopping to work before the official end of the shift receives less attention from the management in PT."J" and PT."H" Tex. This type of unpunctuality should actually be controlled by foremen or group leaders. This, however, is not always the case. When asked whether they ever stopped to work before the end of the working time, workers in my sample responded as follows:

**Table. 7.3 Incidence of Premature Working End**

	PT."J" Tex	PT."H" Tex	Row Total
1 - 10 minutes	36.7 %	13.0 %	21.1 %
11 - 20 minutes	60.0 %	65.2 %	63.4 %
more than 20 minutes	3.3 %	21.2 %	15.4 %
Column	100.0 %	100.0 %	
Total	34.3 %	65.7 %	100.0 %

Source: Researcher's own data of 175 cases.

While the management of PT."H" Tex has been quite successful in controlling the unpunctuality of workers at the beginning of shifts, the unpunctuality expressed in the premature ending of work still represents a problem. The above table shows that the majority of workers in this company stop work more than 10 minutes before the official change of shifts. This phenomenon can be encountered in all departments, except for the weaving section in which the wage is based on piece rates. Reasons given by the workers usually emphasize the lacking attention paid by the management to the working conditions of workers. When I asked a female worker in the division of harness and heddle (one of the department which prepares threads for the weaving process) about this matter, she responded as follows:

I won't work hard (ngoyo), sir, because it makes no difference whether I do it or not. The result will always be the same. Hard work merely makes the owner (majikan) grow rich but not me.

The above statement points to the widespread resignation of workers resulting from the awareness that there is hardly anything they can do to improve their lot.

The situation in PT."J" Tex is somewhat similar. The majority of the workers stop to work before the official end of the working time. Since conflicts do not only occur between workers and the

management but also between the group leaders<sup>9</sup> and the management, the group leaders are not particularly inclined to control the discipline of workers. The group leaders are supposed to record and evaluate the workers performance in the workplace. This, however, rarely takes place. From her observations in a Javanese factory of the 1060s, Willner concluded that the foremen grade all workers supervised by them as satisfactory because they live in the same village and maintain close relations<sup>10</sup>. While it is true that foremen and workers come from the same locality and social environment, in the context of my study there are additional reasons for the reluctance of foremen to control the workers. The good grades given by group leader are also a result of humanitarian considerations. The wages of workers are low and their working conditions poor. One of the group leaders in PT."J" Tex explained that he will give bad grades to workers because in this case the latter's wages would be lowered even more. Strong management control, poor working conditions, and conflictual relations thus determine the performance of work in the workplace.

### **Precision in the Workplace**

This section tries to describe the precision of workers in the workplace. Precision in this context refers to the degree of accuracy with which workers carry out their tasks. It is not easy to analyze this matter. I do not intend to measure the precision of work in technical terms but will describe accuracy in terms of general control of work results and the avoidance of mistakes. This analysis also avoids to discuss the precision of work from a moral point of view.

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<sup>9</sup>. In PT."J" Tex the group leaders function as foremen, while in PT."H" Tex the terms "foreman" and "group leader" denote different positions. The foreman controls a number of groups in a divisions, each of which is led by a group leader.

<sup>10</sup>. Ann Ruth Willner, *Problems of Management and Authority in a Transitional Society: A Case Study of a Javanese Factory*, in Willam A. Faunce (ed), *Reading in Industrial Sociology*, Meredith Publishing Company, New York, 1967, p. 116.

**Table 7.4 The Quality of Production Output  
in PT."J" and PT."H" Tex  
January to March 1992  
(percent)**

	PT. "J" Tex			PT. "H" Tex		
	Jan	Feb	March	Jan	Feb	March
High Quality	90.01	89.55	89.86	98.72	97.31	98.14
Low Quality	8.32	8.26	7.64	0.77	2.30	0.42
Damaged Mat.	1.67	2.19	2.50	0.51	0.39	0.42
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Administrative offices of PT."J" and PT."H" Tex.

The accuracy of work will be analyzed within the context of labour relations characterized by management control and conflicts between workers and the management. Two types of research methods were used to generate data on the precision of work: information on the quality of production output was collected through aggregate statistical data and information on individual work performance was gained through interviews with workers.

The degree of precision in the work performance is higher in PT."H" than in PT."J" Tex. In the former company, the management sanctions workers who do not perform their tasks accurately. The sanctions include fines and the obligation to buy material damaged by them. The price for damaged cloth is Rp. 1,000.- per meter.

In the case of the Filling Bobbin division, workers have to pay a fine when the management finds out about mistakes in the performance of their tasks. Operators in this division have to wind yarn on a spindle to make a full bobbin which is then operated by a bobbin machine. When the head of production once controlled the fabrics woven by the weavers, he found the result unsatisfactory. After searching for the group responsible for the poor outcome, he put the blame on the workers in the Filling Bobbin division for using the wrong yarn. Each worker of this group, in consequence, had to pay a fine of Rp. 500,-. The group leader protested to the management saying that the workers under her supervision had performed their tasks in



accordance with the directions of the head of production. Her protest, however, did not change the decision of the management.

A system of sanctions for workers who do not perform their tasks accurately does not exist in PT."J" Tex. The higher percentage of low-quality and damaged output in this company is also a result of the greater complexity of knitting than weaving. In the knitting process, the fabrics will be damaged whenever the knitting machine stops for a short time. These interruptions are caused by different reasons. Sometimes, workers have to turn off the machine because the yarn is torn. According to workers, this would hardly happen, if the management did not use second-quality yarn. The management expects high-quality products to be made out of second-quality raw material. In other cases, there is current failure or the machine becomes defect. In the weaving process, short stops of the machine cause no problems for the fabrics.

Table 7.5 shows the percentage of workers who control the output after correcting a mistake in the production process. The number of workers who apply second controls in their workplace is higher in PT."H" appear than in PT."J" Tex. While the tighter management control in PT. "H" again is able to reduce the inefficiency caused by workers in the production process, its strong profit orientation tends to ignore the principles of ethical conduct and justice by punishing workers for mistakes which are beyond their responsibility.

**Table. 7.5 Performance of Second Control in the Case of Production Mistakes**

	PT."J" Tex	PT."H" Tex	Row Total
No second control	25.0 %	7.8 %	13.7 %
Second control	75.0 %	92.2 %	86.3 %
Column	100.0 %	100.0 %	
Total	34.3 %	65.7 %	100.0 %

Source: Researcher's own data of 175 cases.

Workers' resistance<sup>11</sup> in the work process occurs as a manifestation of conflicts in a situation where the management exerts strong control on the workers. In PT."H" Tex, both absenteeism and precision of work are under strict control of the management. One channel for the expression of workers' resistance, however, is left open, i.e. the chance to stop working before the official end of the shift.

Solidarity within a group of workers results not only from management control but also from social relationship between workers which are based on the principle of mutual assistance in everyday life. In the above-described case of the Filling Bobbin division in PT."H" Tex, management control contributes to solidarity within the work group and, at the same time, reduces the respect of workers for the management. The evidence provided by the workers showing their innocence was not able to change the decision of the management. Mutual assistance within groups of workers is not restricted to the workplace but is also practiced in other contexts of everyday life. Since the management in this company does not provide any health insurance to the workers, the latter organize themselves to support each other in the case of illness.

One aspect of social relationships is conflict. Conflicts among workers usually do not occur within the same work group but between different work groups. This type of conflict is more frequent in PT."H" than PT."J" Tex., because one cause of these conflicts is due to management control of the production output. Since there are sanctions for mistakes in the work process, each group is inclined to place the blame on others in order to protect itself against these sanctions. In PT."H" Tex, workers do not respect certain white-collar employees who are related to the owners and who give extra-payment to female workers of their liking. Members of the management who are fond of a particular female worker tend to give priority to the group of this woman in order to prevent her from disclosing any compromising information to others. In PT."J" Tex, conflicts among work groups are

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<sup>11</sup>. "Workers' resistance" is a term used by students of the labour process and refers to informal and organized labour opposition against the management or the employers in labour process. This term is more specific than the often misleading use of the concept of "class struggle". See, Paul Thomson, *op cit*, p. xvi.

less visible. Conflicts in this company have a more individual character because the management tries to find workers who cooperate with the management and who are willing to provide information about those workers who are critical of the management.

### **Trends of Labour Turnover**

Since tight management control leads to obedience and loyalty of workers without paying attention to their working conditions, conflicts between the management and the workers emerge. Part of these conflicts are expressed by workers through their performance in the workplace. Although many workers maintain conflictual relations with the management, this does not cause them to leave the factory because of lacking job alternatives.

**Table. 7.6 Workers' Intention to Move to Another Factory**

	PT."J" Tex	PT."H" Tex	Row Total
No intention	76.7 %	60.9 %	66.3 %
Intention	23.3 %	39.1 %	33.7 %
Column	100.0 %	100.0 %	
Total	34.3 %	65.7 %	100.0%

Source: Researcher's own data of 175 cases.

Besides the absence of job alternatives, there are other reasons for the generally little developed intention of workers to give up their present occupation. First, access to those jobs that might be available in the labour market depends on close personal relations to workers who are presently working in the respective factory and who are, in turn, on good terms with members of the management. Second, if the worker moves to a factory which pays similar wages, a number of factors have to be considered. The geographical distance between home and factory will decide whether workers can use bicycles or have to rely on public transport. If the new workplace requires them to give up their off-factory economic activities, few workers will be willing to give up their present job.

The shortage of job alternatives contributes to a low labour turnover. As a result, conflicts caused by strong management control cannot be openly expressed. If the labour market expands and makes possible a higher rate of labour turnover, it will become difficult for companies to maintain efficiency without raising wages and improving working conditions.

### **Summary**

Sanctions by the management against workers who are lacking in discipline strive to increase the level of efficiency in the production process. While actions of the management have a certain influence on regular attendance, punctuality, and precision of work, phenomena like absenteeism and unpunctuality cannot be eliminated. The latter are not a consequence of workers' "laziness" but are partly induced by conflicts between workers and the management. Since conflicts cannot be articulated openly, they remain latent and manifest itself through performance in the workplace.

The shortage of job alternatives in the labour market contributes to a low rate of labour turnover in the two textile factories examined by this study. This results in a situation in which unethical conduct of the management leads to hidden rather than open conflicts. The low aspiration of workers to move to another factory is an effect of the condition of the labour market. Once the labour market expands, an increase both of manifest conflicts between management and workers and of the rate of labour turnover has to be expected. Thus, increasing conflicts and labour turnover resulting from strict management control eventually might contribute to higher inefficiency in the process of production.



## CONCLUSION

In accordance with Max Weber's typology of rational action, one can distinguish two different types of motivation which determine actions within organizations. First, actions can be motivated by the principles of substantive and formal rationality. Substantive rationality is rooted in value postulates which become institutionalized within organizations. Once values are institutionalized in laws, rules, and regulations, substantive rationality has turned into formal rationality. Formal rational action in organizations, supposed to uphold substantive rationality, is guided by means-end considerations and leads to the emergence of hierarchy, control, and a division of labour. Actions in organizations which are motivated by substantive rationality remain based on ethical principles. This intertwinedness of substantive and formal rationality notwithstanding, Weber was aware that in the long run formal rationality can become separated from substantive rationality and develop a dynamism of its own. Eventually, a situation might develop in which the initial values of substantive rationality are lost or merely used as instruments to legitimize actions motivated by self-interest.

The latter situation points to the second type of motivation for actions within organizations, i.e., actions based on means-end rational considerations for the achievement of individual or group interest. Actors use substantive rationality as an instrument to achieve personal goals without paying attention to the maintenance of certain value constellations. This kind of action cannot be understood as substantive rational action because it usually ignores ethical principles. Weber's analysis of Western society emphasized the first type of action in organization based on substantive and formal rationality.

Weber does not distinguish between different actors in the same organization. Instead, he assumes that all actors in an organization pursue more or less identical goals. This, however, is hardly realistic. Cultural values can be differently understood by actors, depending on the position they occupy in an organization. This is particularly true

for hierarchial and plural societies. Cultural values such as "harmony" and "mutual assistance" are institutionalized in Indonesian industrial relations and, in different variations, can also be found in other Asian countries.

The state ideology of contemporary Indonesia refers to industrial relations in the country as "Pancasila Industrial Relations". Main elements of this understanding of industrial relations are the principle of "harmony" and the elimination of conflicts. Both values, however, are interpreted quite differently by employers and the management, on the one hand, and workers, on the other. For employers and the management, "harmony" denotes a condition of "industrial peace" in which conflicts are absent. Conflicts, therefore, are perceived as "pathological deviation" from an ideal type of "peaceful" industrial relations. Thus, whenever conflictual relations appear, they have to be eliminated by all possible means. This notion encourages the emergence and legitimation of strong management control and state intervention into industrial relations with the purpose of eliminating conflicts and maintaining or re-establishing "harmony". Ironically, however, the result is not a condition of "harmony" and "peacefulness" but one of suppressed conflict and increased antagonism.

Industrial relations in contemporary Indonesia are characterized by a high frequency of labour code violations committed by employers and management. It is usually profitable for the latter to violate regulations concerning minimum wages, social insurance provisions, etc. The ideology of "harmony" and "industrial peace" legitimizes the management's control of trade unions at the firm level. Despite formal regulations, the government tends to protect the employers' interests rather than those of workers in the reality of "Pancasila Industrial Relations". Military intervention into labour disputes is a widespread phenomenon in present-day Indonesia.

The interpretation of the cultural value of "harmony" maintained by employers and management does not emphasize a consensus based on social or legal norms but serves as an instrument to legitimize a control system oriented towards the owners' economic profit. Management and employers tend to ignore the importance of shared values for the maintenance of harmonious relationships between the

company leadership and workers. The management pressurizes the workers to cooperate and threatens them with dismissal in the case of open protest against decisions of superiors.

For the recruitment of workers, the management makes use of cultural values such as mutual assistance. This value serves different interests for management and workers. The recruitment of individuals who are related to members of the management gives management control a personal quality. The employment of relatives plays an important role for the control of workers in the workplace. The relatives assist the management to gather information about workers who are against the company leadership.

The process of labour recruitment is patterned by close relationships between newcomers and established workers in the factory. The informal way of hiring workers is based on the principle of "mutual assistance" which, in this context, is approved of by the management because it facilitates the control of workers. A new worker who joins the company and, in the ensuing time, gains a bad reputation will cause problems for the worker who initially recommended him or her to the management. In the eyes of workers, "mutual assistance" serves to help others, especially members of the extended family, in their search for employment. Material benefits as compensation for this assistance are of minor importance <sup>12</sup>.

The violation of the labour code by many companies in contemporary Indonesia points to lacking respect for both ethical principles and legal norms. The conduct of the management in these enterprises has to be understood as rational action for the realization of material self-interests. The maintenance of particular value constellations is irrelevant in this context. Actions are motivated by rational means-end considerations oriented towards the maximization of profit through the exploitation of workers. Labour relations in Indonesia are not based on a consensus of values between the different groups in a factory. Thus, rules and regulation which require this consensus remain without effect. While the principle of law is accepted

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<sup>12</sup>. There are also middlemen who procure jobs on commercial grounds, requiring the applicant to pay a certain amount of money for this service.

in theory, it continues to be violated in practice.

Differences in the interpretation of cultural values do not only occur between workers and the management but can also be noticed among various groups of workers. There are, for instance, three different ways of understanding the principle of "harmony". The first group of workers interprets "harmony" as "peace". Their relationships with employers and management tend to be characterized by loyalty. Workers in this group try to keep their relations both with colleagues and superiors free of conflicts. A second group of workers approach the management from a perspective of practical considerations. Through cooperation with superiors they try to satisfy individual interests. Employers and management rely on this type of worker for the control of colleagues who are considered as "aggressive" and accused of "disturbing industrial peace". The third group of workers understands "harmony" as synonymous with ethical conduct and strives to maintain this value by criticizing the management for its violation of the labour code. Relationships between these workers and the company leadership are frequently marked by conflicts.

Conflicts between the third group of workers and the management can be either open or hidden. Since trade unions at the firm level are strongly controlled by the management, workers have little trust in this organization. Thus, open conflicts are not expressed collectively but assume an individual form. Workers who openly criticize management decisions are often dismissed on the grounds of hampering the process of production. Hidden conflicts tend to manifest itself through performance in the workplace. While strong management control is able to reduce inefficiency caused by workers, it increases conflicts by ignoring ethical principles. The results of my study clearly show that conflicts cannot be eliminated by strict management control. Thus, the management's understanding of "harmony" as absence of conflicts is a social construction of industrial relations which remains unrealistic.

In the everyday life of workers, conflicts take place in family and communal life. These conflicts, however, do not infringe upon the cultural values of "family cohesion" and "mutual assistance". Mutual assistance is conceived as exchange relationship and moral obligation



in the family, neighbourhood, and local community. This principle is also applied to relations among workers in the factory. Conflicts outside the factory usually center around the violation of social norms by members of the community.

Harmonious and conflictual social relationships are characterized by different value constellations. Harmonious social relations are based on a consensus of values, while in conflictual relations the involved actors attempt to protect a value which they feel has been violated by the other party. Conflicts are not perceived by workers as "pathological" but as a medium to uphold cultural values and to attack the violation of legal norms and human rights. In the workers' understanding, there is no contradiction between harmony and conflict. For them, conflict represents a means to constitute or re-establish social harmony.

In hierarchical and plural societies, the understanding of cultural values should be traced back to their roots in a particular community. Plural societies comprise two or more social orders which live side by side in the same political unit, yet without significant social interaction. The only combining element of these societies is the marketplace in which all members meet. Plural societies are marked by a lack of "common social demand", meaning that cultural values and social norms are sectional and not shared by the various groups making up these societies. Political rule is based on will and limited by custom and consent but not regulated by law <sup>13</sup>.

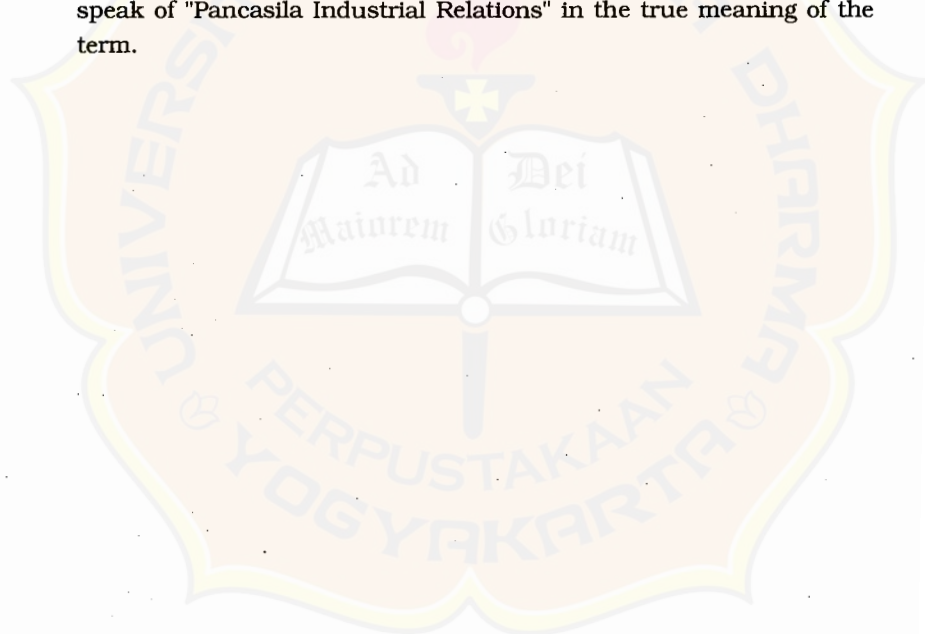
The management's understanding of traditional Javanese values like "harmony" and "mutual assistance" not only reinforces differences of income and wealth between employers/management and workers but also creates differences in the legal status of people. In other words, groups who command economic resources and authority can violate the law without legal sanctions, whereas those who are economically poor and lacking in authority will be punished even if they actually struggle to uphold legal norms. Employers and the management make use of "harmony" in order to create a condition of

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<sup>13</sup>. J.S Furnivall, *Plural Societies*, in Evers (ed), *Sociology of South-East Asia*, Oxford University Press, Kuala Lumpur, Oxford, New York, Melbourne, 1980, pp. 86-96.

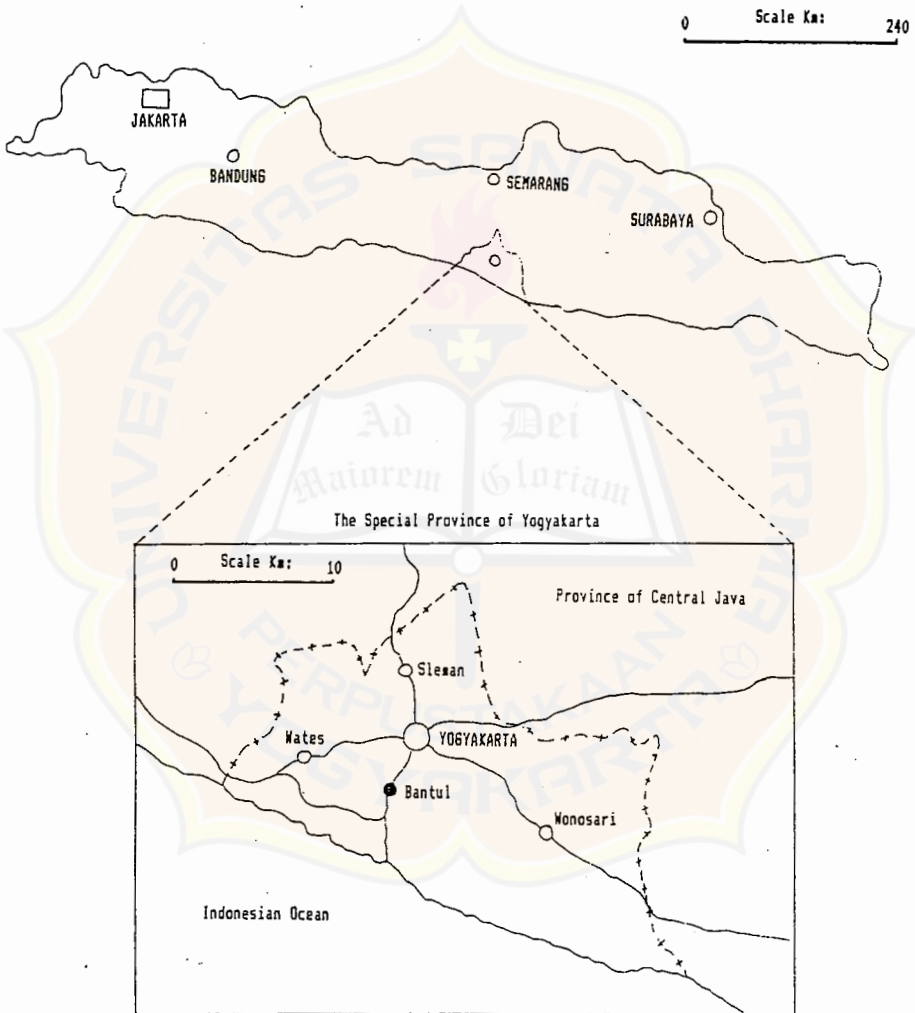
"cooperation" and to legitimize strong control of the workers for the purpose of business success. If this is understood as rational action, then it is similarly rational for workers to rely on conflict in order to attack the management's violation of the labour code, thereby defending the principle of "harmony".

"Harmony", in my view, need not be incompatible with conflict. Rather, conflicts can be managed without disturbing "harmony", if the interests of all parties are taken into account and a balance between them is achieved. This requires a government that is serious in its attempts to uphold legal norms which protect the interests of both workers and employers/management. Only then it will be possible to speak of "Pancasila Industrial Relations" in the true meaning of the term.

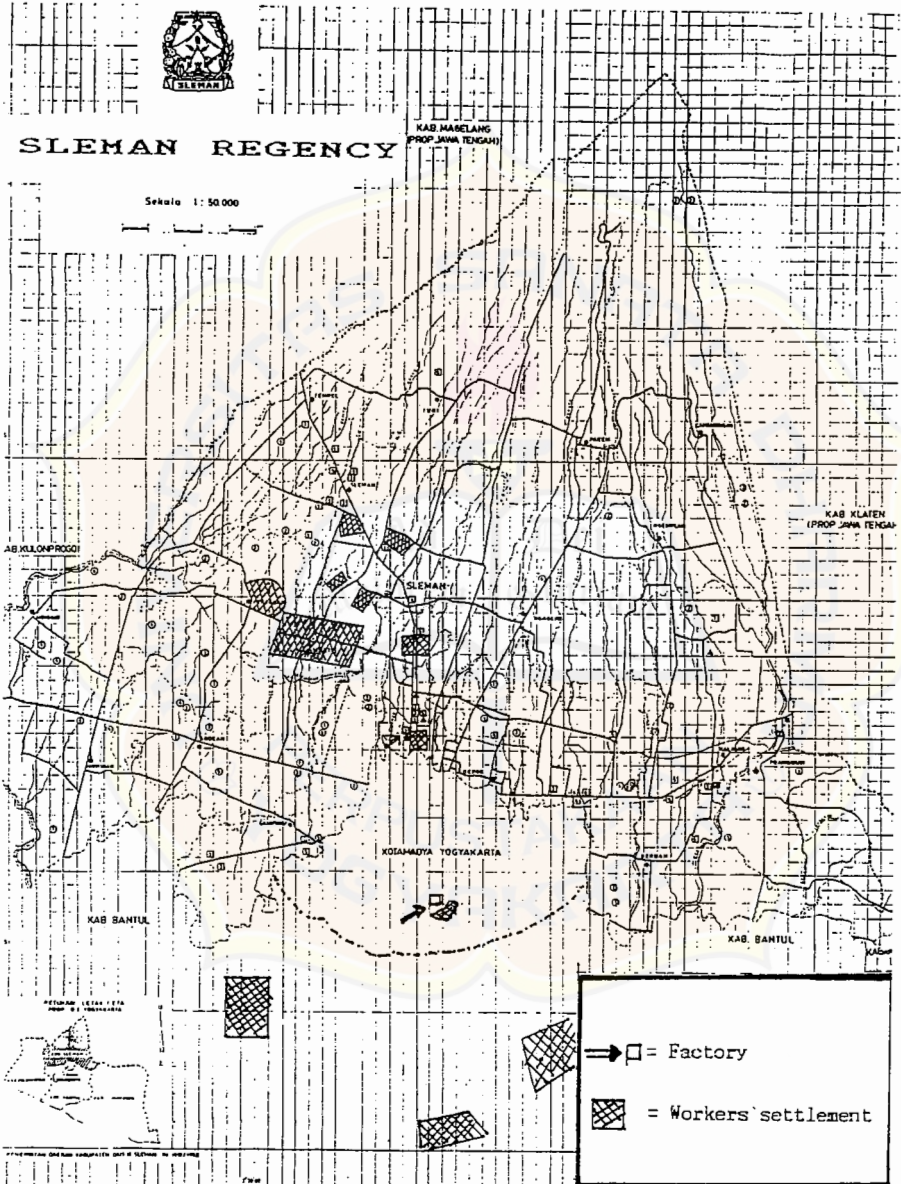




# JAVA AND YOGYAKARTA







**Description of the Map**

Yogyakarta province is located in Central Java. The capital of the surrounding province of Central Java is situated in Semarang. Properly, Yogyakarta has the status of a "special province". This is not because of its historical background as centre of a sultanate but because of Yogyakarta's role as capital city of the newly independent Indonesia in the late 1940s. (The republican government under Sukarno fled when British and Dutch troops invaded Jakarta.) The special province of Yogyakarta comprises four regencies, i.e., Sleman, Bantul, Kulon Progo, Gunung Kidul, and Yogyakarta municipality.

The factories that I studied are located in Yogyakarta municipality and in the Sleman regency. Yogyakarta is mainly an administrative centre, while most of the manufacturing industries are concentrated in other regencies. In the Sleman Regency, for instance, factories have developed on both sides of the street between Yogyakarta and Magelang.

This street has become a centre of manufacturing in the area. A large number of the factories are producing textiles, while others are involved in metal smelting, the assembly of agricultural equipment, and light bulb production. These factories, according to Indonesian classification, are categorized as "large industries", since they employ more than 100 workers. Economic activities in the area are not only confined to an expansion of manufacturing industry but include also the emergence of shops selling building materials and car dealers.

The majority of the workers employed by the two companies under study come from rural areas. The map shows that they are concentrated in certain villages. The following list contains the villages from which the respondents in my study originated:

Quarter	Village	District	Regency
Brajan	Wonokromo	Pleret	Bantul
Kertan	Sumberagung	Jetis	Bantul
Pakel Sorosutan Nitikan	Sorosutan	Umbulharjo	Yogyakarta
Ngaglik Durenan Krapyak	Trihargo	Sleman	Sleman
Kepitu Nambangan Beran Kidul	Trimulyo	Sleman	Sleman
Jodag	Sumberdadi	Mlati	Sleman
Cebongan			
Duwet	Sendanghadi	Mlati	Sleman
Krongahan	Trihargo	Gamping	Sleman
Getas			
Beteng Gerjen Ngetal	Margoagung	Sayegan	Sleman
Watukarung	Margokaton	Sayegan	Sleman

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